

As we begin 1993, the action word for all of us at Bethlehem is change—and change at an accelerated pace. To meet the challenge of restoring Bethlehem to sustained profitability, we must work together as a team to provide our customers with outstanding service and top-quality steel products—at competitive value.

Highlights

(Dollars in millions, except per share data)

	1992	1991	1990
FOR THE YEAR			
Net sales	\$4,007.9	\$4,317.9	\$4,899.2
Estimated restructuring losses—net	—	(575.0)	(550.0)
Loss from operations	(187.0)	(729.2)	(443.3)
Cumulative effect of changes in accounting principles	(250.0)	—	—
Net loss	(449.3)	(767.0)	(463.5)
Net loss per Common share	(5.78)	(10.41)	(6.45)
Capital expenditures	328.7	563.9	488.0
Depreciation	261.7	241.4	305.7
Utilization of production capability	66%	63%	68%
Raw steel production (net tons in thousands)	10,544	10,022	10,924
Steel products shipped (net tons in thousands)	9,062	8,376	8,865
Average number of employees receiving pay	24,900	27,500	29,600
AT YEAR END			
Cash and cash equivalents	\$ 208.2	\$ 83.8	\$ 273.5
Total debt	651.5	691.1	454.8
Total capital lease obligations	144.5	180.1	209.0
Stockholders' equity	379.1	674.8	1,489.0
Debt as a percent of invested capital	68%	56%	31%
Capital expenditures authorized	\$ 620	\$ 310	\$ 596
Orders on hand	\$ 923	\$ 1,280	\$ 1,336

CONTENTS

Chairman's Letter	1
Financial Review and Operating Analysis	14
Financial Statements	19
Notes	22
Report of Independent Accountants	29
Management Statement	29
Five-Year Financial and Operating Summaries	30
Directors	31
Corporate Officers and Business Unit Presidents	32

Chairman's Letter

As we begin 1993, the action word for all of us at Bethlehem is change. We know that we live in a tough, competitive world where we must constantly change to meet the challenges of the international steel market. We are proceeding as quickly as possible to change the things that need to be changed to achieve Bethlehem's key priorities. Our number one priority is to return Bethlehem to sustained profitability—and we are absolutely determined to achieve this objective.

1992 RESULTS The past year was a difficult one for Bethlehem. Results for 1992 were depressed by a combination of the continuing weakness in the global economy and intense domestic and foreign competition in the steel industry. While our shipments of steel products increased, steel prices continued to decline. And although overall costs at our steel operations did improve, employment and coal mining costs continued to rise.

Bethlehem reported a net loss of \$449 million for 1992 compared to a net loss of \$767 million for 1991. The net loss for 1992 includes a \$250 million net charge that represents the cumulative effect of adopting two new Financial Accounting Standards Board Statements—one to record a charge for healthcare and insurance obligations for retirees,

the other to recognize certain deferred tax assets. These changes are explained in detail in the Financial Review section. Excluding the effects of restructuring and changes in accounting principles, Bethlehem had a loss of \$239 million in 1992 compared to a loss of \$190 million in 1991.

BETHLEHEM'S OBJECTIVES Our vision is for Bethlehem to be recognized worldwide as a premier supplier of steel products, based on our contribution to the success of our customers. We will be a market-driven company, operating with strong Business Units. We will focus on specific markets, and we will be a leader in these markets. We will be a thoroughly modern company in all aspects of our business.

We will take the necessary actions to be a low-cost, high-quality steel producer. We will provide superior customer service and increase market share while receiving fair value for our products. We will emphasize total quality throughout the corporation, benchmarking our efforts against the very best and reengineering our operations and procedures.

We will enhance the value of our company to our stockholders. We will emphasize human resource capabilities and provide a safe, healthy workplace for our employees. We will be a good corporate citizen in our relations with communities and in improving the environment in which we all live.

BETHLEHEM'S STRATEGY Bethlehem has been implementing a three-part strategy of concentrating on steel, rebuilding our financial strength and restructuring our businesses. We are continuing to pursue that strategy, with this important difference—we are accelerating the pace of change. We are aggressively implementing our previously announced program to restructure and realign our operations in order to make Bethlehem more competitive and be in a position to take advantage of future economic and market developments.

CONCENTRATING ON STEEL One of the most significant actions we have taken to position Bethlehem for the future is to establish our steel plants at Burns Harbor, Ind., and Sparrows Point, Md., as separate Business Units—the Burns Harbor Division and the Sparrows Point Division.

These two Divisions account for almost 80 percent of our steel segment sales. As separate



Curtis H. Barnette, Chairman and Chief Executive Officer

Business Units, with their own commercial and service functions, they will be able to better serve their customers and respond more quickly to changes in their markets for sheet and plate products.

In another Business Unit action, we incorporated the Steelton Rail Products and Pipe Division as a wholly owned subsidiary Pennsylvania Steel Technologies, Inc. PST is operating under a new, more competitive labor agreement with the United Steelworkers of America (USWA) and is proceeding with a modernization program.

We have established our Structural Products and BethForge Divisions and CENTEC joint venture as separate Business Units, and we are continuing discussions with the USWA regarding modernization and labor agreements at these units.

NEW COATING FACILITIES We are committed to meeting our customers' needs—now and for the future—by constructing the production facilities necessary to supply the quality steel products they require. We have just completed a \$300 million program to build state-of-the-art galvanizing lines at our Burns Harbor and Sparrows Point Business Units. These lines started up in December and will be turning out high-quality, value-added coated sheet products.

The Burns Harbor line can produce 450,000 tons a year of hot-dip galvanized and galvanized sheet products for the automotive market. The Sparrows Point line is capable of producing 260,000 tons a year of galvanized and Galvalume® sheets for the light construction market.

Construction is also proceeding on schedule on a new 270,000-ton-per-year steel coating line in Jackson, Miss.—an equally owned joint venture between Bethlehem and another company. The new venture, known as Double G Coatings Company, is scheduled to begin production in mid-1994 to produce galvanized and Galvalume® sheet for the growing light construction market in the south-central United States.

REBUILDING FINANCIAL STRENGTH We took significant steps in 1992 to strengthen our financial position and improve our liquidity. In August Bethlehem received net proceeds of \$171 million from an offering of 13.8 million shares of Common Stock. In December we signed a new four-year, non-reducing credit agreement with a group of 19 domestic and foreign banks, with initial bank commitments of \$400 million. In December we also received \$40 million from the U.S. Navy for partial reimbursement of losses in connection with our construction of two ships delivered in 1989 and 1990. In 1992 we received more than \$125 million from the sale of various assets.

RESTRUCTURING As planned, we exited the business of our Bar, Rod and Wire Division, discontinuing the operation of facilities in Johnstown, Pa., Lackawanna, N.Y., and Sparrows Point, Md.

In December we entered into a comprehensive agreement with Electronic Data Systems (EDS). Having EDS handle virtually all aspects of our information technology requirements will enable us to provide better service to our customers, accelerate our business and technical plans, and do so at competitive costs.

As a result of restructuring and other actions, Bethlehem was able to reduce its total employment in 1992 by about 4,200 employees, including about 3,500 in steel businesses. Many of the employees affected by restructuring are eligible for retirement benefits, and Bethlehem's 70,500 retirees received \$470 million in pension payments in 1992.

BUILDING ON STRENGTH As we at Bethlehem move toward the 21st Century, we do so with confidence in our ability to compete in the marketplace because we are building on some very significant strengths.

- We are a leading producer of corrosion-resistant coated sheet steel, a high-value product in increasing demand by the automotive and construction markets.
- We are the largest U.S. producer of steel plate, a product used in construction and construction machinery and a product that will benefit from increased infrastructure spending.
- Over 70 percent of our product mix consists of flat-rolled steel products—sheets and plates—that are key components of our modern industrial economy.

■ Our Burns Harbor Division is the most productive and efficient producer of high-quality flat-rolled steel in America.

■ Our Sparrows Point Division is a very competitive flat-rolled steel producer, and is improving steadily.

■ Our Structural Products Division produces the largest range of structural products in the country.

■ Pennsylvania Steel Technologies is one of only two rail producers in the country and, when its new technology is installed, will be the first in-line producer of premium head-hardened rail.

■ The quality of our steel products ranks among the very best in the industry, and our steel mills have quality awards from our customers to prove it.

■ The quality of our employees—in their skills and their dedication—is unmatched in the industry.

KEY ISSUES There are several key issues that significantly affect our business. They include a new labor agreement, trade matters, healthcare costs and environmental policies.

Our existing agreement with the USWA expires on July 31. We hope to commence early negotiations and reach a prompt, mutually satisfactory agreement. It is essential that a new labor agreement reflect the realities of the economic conditions faced by Bethlehem and the steel industry. In our negotiations, we will be seeking a long-term agreement that will promote productivity and stability and help make Bethlehem more competitive as we face the challenges of the 90s.

Imports of subsidized and dumped foreign steel have continued to injure Bethlehem and other domestic steel companies. Last June Bethlehem joined with 11 other domestic steel producers in filing trade cases against unfairly traded steel imports. If favorable preliminary findings by our government are affirmed later this year, substantial countervailing and antidumping duties would be applied to all affected imports. The imposition of such duties would help cause compliance with our trade laws, to the benefit of all domestic steel producers.

In 1992 Bethlehem spent approximately \$240 million for healthcare benefits for its active employees, retirees and their dependents—about 170,000 altogether—up from approximately \$160 million in 1989. In an effort to control rising healthcare costs, we have been working with the USWA and others for a comprehensive restructuring of our nation's healthcare system through membership in the National Leadership Coalition for Health Care Reform. The continuing uncontrolled rise in healthcare costs is not only a problem for Bethlehem—it is a problem for the whole country. We sincerely hope that the issue will be addressed quickly and effectively by the new Administration.

On the matter of the environment, we have recognized for many years that improving the environment is an integral part of doing business. We will continue to work with all levels of government to develop and implement environmental quality control programs, including fair, consistent and scientifically sound laws and regulations.

OUTLOOK As 1993 began, there were encouraging signs of a moderate recovery in the nation's economy and in the steel markets—especially automotive, consumer goods and light construction. We expect that overall growth in the economy in 1993 will generate an increase in domestic steel industry shipments to 86 million tons. We are also encouraged by the increased focus on rebuilding our country's infrastructure and by the positive findings in the steel trade cases. If the economy continues to improve, fair trade in steel is achieved, and the value and demand for steel strengthen as expected, we believe that the actions we are taking to improve our operating performance will return Bethlehem to profitability later this year.

Walter F. Williams retired as Bethlehem's chairman in 1992 after a long and distinguished career. We wish to express our deep appreciation to Walt for his service to Bethlehem.



Curtis H. Barnette, Chairman
January 27, 1993

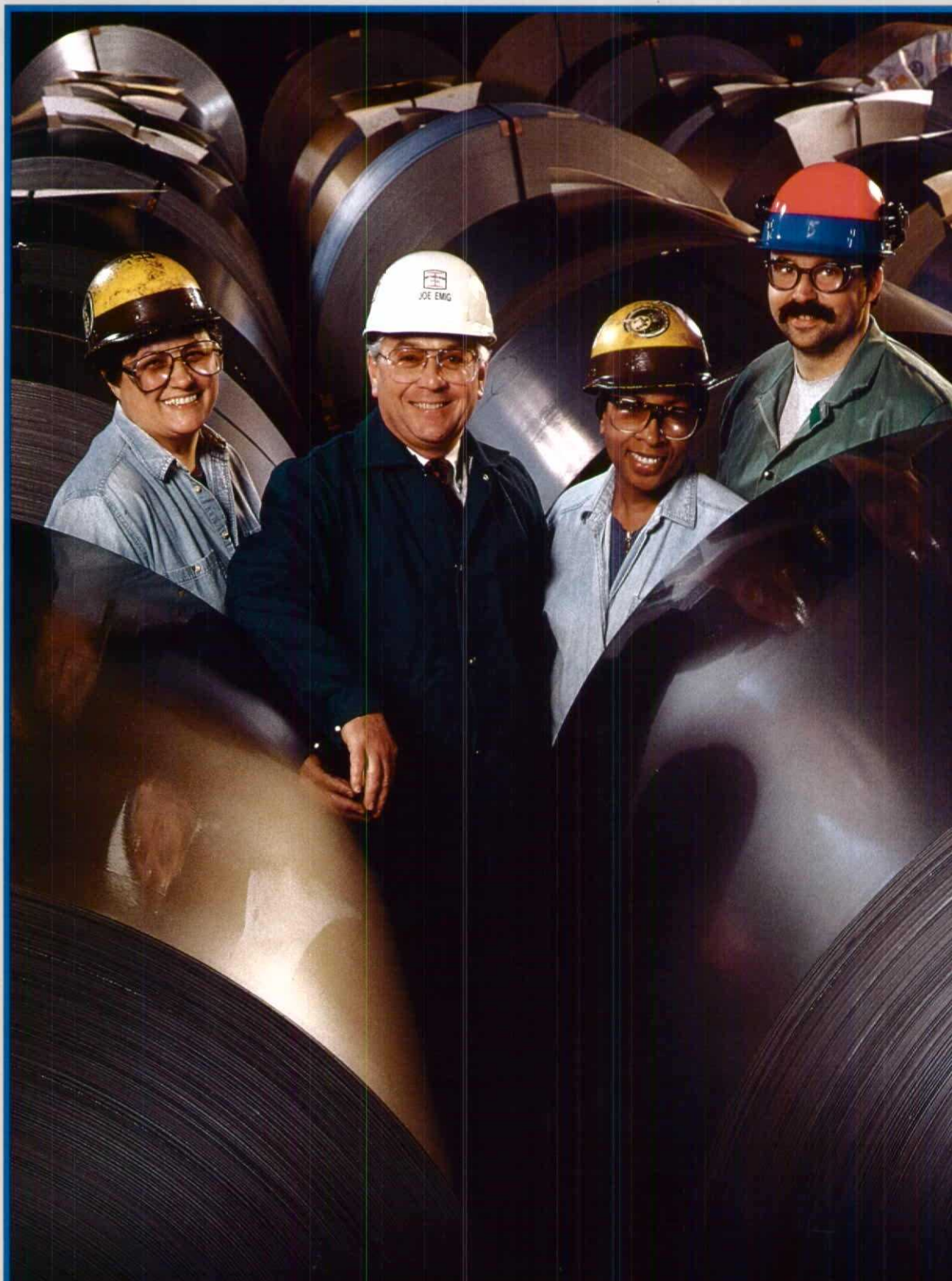
Concentrating on Steel

BURNS HARBOR DIVISION

"These coils are among the highest quality, lowest cost sheet steel products produced in the United States—or anywhere else. And we just started up a new state-of-the-art galvanizing line to provide more corrosion-resistant sheet for the automotive market. We also produce some of the finest steel plate for the construction and machinery markets. I firmly believe that this Division is the most productive and efficient integrated steelmaking facility in North America, and we intend to do everything in our power to keep it that way. The many awards we have won from our major automotive and industrial customers should leave no doubt about our ability—and our commitment—to turn out top-quality steel products, now and in the future."

Joe Emig
President
Burns Harbor Division

(From left, Elvira McEwan, Joe Emig, Ruth Cooley, Tony Ello)





PENNSYLVANIA STEEL TECHNOLOGIES, INC.

"When this plant was established in the 19th Century as the Pennsylvania Steel Company, the rails it produced helped span the continent. But this plant not only has a great history—it has a great future. Having restructured it as Pennsylvania Steel Technologies, we will be installing head-hardening rail technology and new electric steelmaking furnaces to make us competitive into the 21st Century. We will be the first in-line producer of premium head-hardened rails in this country. Working out the new labor contract and the modernization plan required the whole-hearted efforts of all our employees. With the new program in place, we are confident that PST will be a low-cost, high-quality supplier of steel rails and pipe, and will continue to meet customers' future needs."

Andy Futchko
President
Pennsylvania Steel
Technologies, Inc.

(From left, Andy Futchko, Ray
Colestock, Greg Haase)

STRUCTURAL PRODUCTS DIVISION

"Our Division is a major supplier to the construction industry, with a very strong position in the eastern U.S. market. We produce the widest range of structural sections in the country, including larger and heavier sections than any other U.S. mill. We are also the only domestic producer of hot-rolled sheet piling. We have many strengths—our customers, our employees, our product line, our technical services—and we plan to do even more to be competitive in the future. Restructuring and modernizing the Division would build on our present strengths and make it possible to serve our customers better by producing higher quality structural products at very competitive costs. We produce our products as a team, and we're proud to stand together beside them—in our shipping yard or in our customer's plant."

Tim Lewis
President
Structural Products Division

(From left, Bob Supon, Tim Lewis,
Jay Marks, Butch Arner)



SPARROWS POINT DIVISION

"This is our new No. 4 coating line, which went into production a few months ago. It produces hot-dipped galvanized and Galvalume sheet that is used by some of our customers to make those colorful metal roofs and buildings you see all over the country. They are attractive and economical and a fast-growing market for our products. Sparrows Point is also the Bethlehem facility that produces tin plate, used to can everything from soft drinks to vegetables to shoe polish. Then there is our steel plate that is used to build heavy-duty structures such as bridges and ships. We produce first-class steel products, and we have the modern equipment and the skilled people to produce them efficiently for our customers."

Duane Dunham
President
Sparrows Point Division

(From left, Duane Dunham,
Carl Johnson, Bill Donovan,
Christine Heinrich, Dave Fellin,
Edward Rowley)



Continuously Improving Quality

"This electron microscope at our Homer Research Laboratories helps ensure that the steel products we produce are as defect-free as modern technology and human effort can make them. But Total Quality means more than just product quality. It means performance excellence in every aspect of our business. It involves all of our people and all of our processes—including purchasing, order entry, steel production, delivery, billing and other services. To achieve Total Quality, we use a variety of tools: statistical process control to correct minute variations in production, benchmarking to improve procedures, reengineering to make radical changes in processes, and reductions in cycle time to improve service. We work very hard to continuously improve our performance in every aspect of our business relationship with our customers."

*Roger Penny
President
Chief Operating Officer*



quality

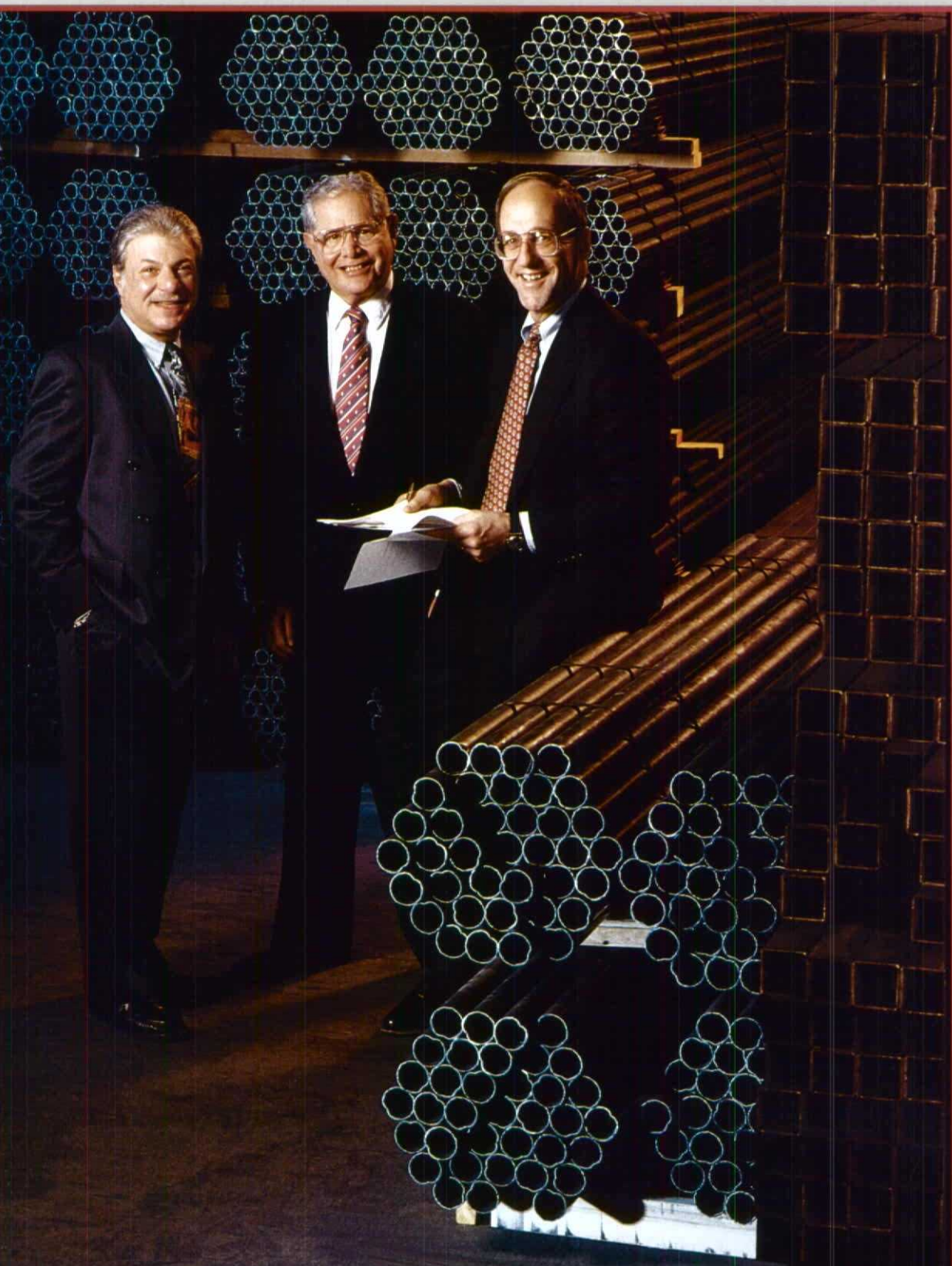
Rebuilding Financial Strength

"The New York Stock Exchange is the financial marketplace where the value of Bethlehem stock is ultimately determined. Two of our key objectives are to rebuild our financial strength and maintain an adequate level of liquidity. To do so, we made a public offering of 13.8 million shares of Common Stock in July for which we received \$171 million. We also negotiated a new four-year revolving credit agreement with a group of 19 domestic and foreign banks. The agreement provides initial commitments of \$400 million and can be increased to \$500 million. In addition to strengthening our balance sheet, our goal is to enhance the stockholder value of our corporation by returning Bethlehem to sustained profitability as soon as possible."

Gary Millenbruch
Executive Vice President
Chief Financial Officer



Providing Superior Customer Service



"Visiting customers' plants, such as this one at Leavitt Tube in Chicago, is an essential part of providing superior customer service. The best way to improve customer satisfaction is to listen carefully to what customers say. In a recent survey, customers told us that what they wanted from us were high-quality products at competitive prices delivered on time. Customer service also involves the personal element—people who efficiently answer inquiries, provide good technical service and respond quickly to changing needs. A good customer relationship is a genuine partnership. We know that our success as a steel producer in increasing market share and receiving fair value for our products depends on how good we are in helping our customers achieve success in their markets."

Dave Post
Senior Vice President
Commercial

(From left, Roy Herman, Lou Guthman, Dave Post)

Managing Human Resources

"The people in this room are attending a training session on problem-solving and decision-making—skills that are essential to accomplishing workplace goals, either as a team or an individual. One of the challenges we face as we proceed through the decade of the 90s is to fully develop Bethlehem's human resource potential by allowing people to perform to the best of their abilities. When we say the action word for Bethlehem in 1993 is 'change,' we know that it is employees who will be the driving force for change. We must involve employees as thinkers, not just doers. We must empower them to make the changes necessary to achieve the goals of producing high-quality products at low cost with the greatest customer satisfaction."

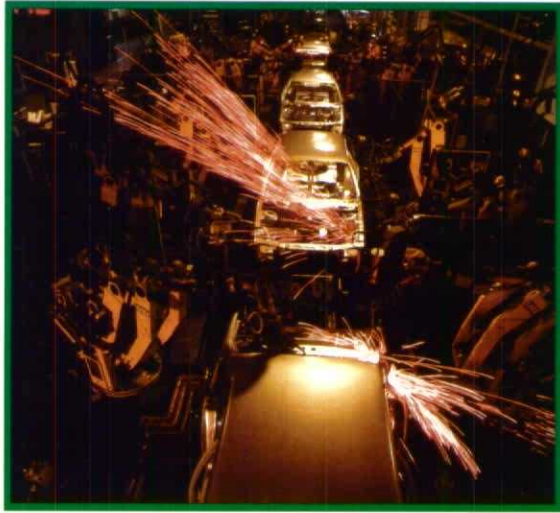
*Jack Jordan
Senior Vice President
Administration*



customers

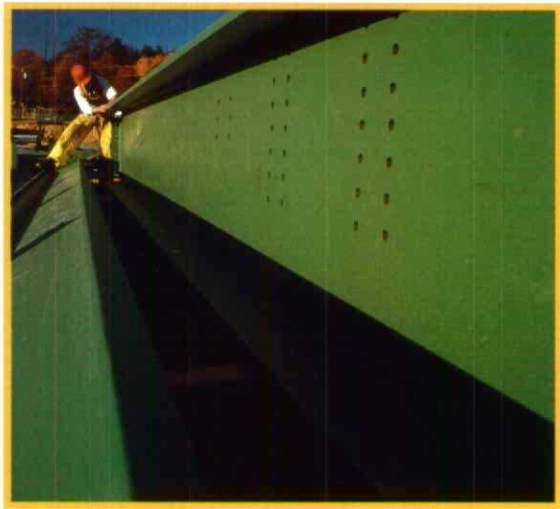
Bethlehem's Business Units and Facilities

BURNS HARBOR DIVISION



The principal operations of the Burns Harbor Division are located in Indiana on Lake Michigan, about 50 miles southeast of Chicago. Burns Harbor produces hot-rolled sheet, cold-rolled sheet and corrosion-resistant coated sheet steel. It is a major supplier of sheet products to the automotive market and also to the office furniture, appliance, container and service center markets. In addition, the Division produces a variety of steel plate products for the construction, machinery and service center markets. Burns Harbor operates a galvanizing line and a coke-oven battery in Lackawanna, N.Y. Bethlehem also participates in a joint venture that owns and operates an electrogalvanizing line in Walbridge, Ohio.

STRUCTURAL PRODUCTS DIVISION



Located in Bethlehem, Pa., the Structural Products Division produces structural steel shapes and piling primarily for the construction market. The Division produces the largest and heaviest structural shapes in the domestic industry for use in high-rise buildings, bridges and other structures. The Division is also the only domestic producer of hot-rolled sheet piling, used in retaining walls and piers.

MANUFACTURING, TRANSPORTATION AND NATURAL RESOURCES

Bethlehem also has the following additional Business Units and transportation and natural resource operations:

BethForge Forging Division (Bethlehem, Pa.). One facility for the production of forgings and castings.

CENTEC Joint Venture (Bethlehem, Pa.). A joint venture for the production of centrifugally cast rolls for the metalworking industry.

BethShip Division (Sparrows Point, Md.). Two yards for ship and drill rig repair—one at Sparrows Point, Md., and one at Port Arthur, Tex.

Transportation. Five shortline railroads serving Bethlehem's steel operations; one line-haul railroad serving a coal mine; two vessels—one owned and one under long-term charter—transporting raw materials on the Great Lakes.

Coal. Three mines and three cleaning plants in Pennsylvania and West Virginia producing metallurgical and steam coal.

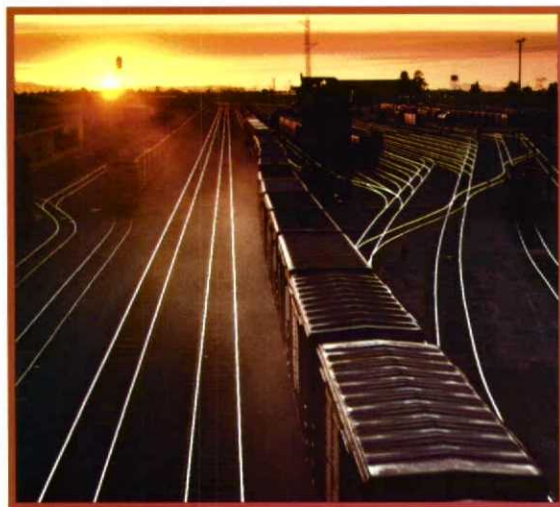
Iron Ore. Three operations in which Bethlehem has partial interests: one in Minnesota, one in Canada and one in Brazil.

SPARROWS POINT DIVISION



The operations of the Sparrows Point Division are located on the Chesapeake Bay near Baltimore, Md. The Sparrows Point Division produces hot-rolled sheet, cold-rolled sheet, galvanized sheet, Galvalume® sheet, tin mill products, steel plate and semifinished steel. Its principal markets include construction, shipbuilding, container, service center and metal fabricating.

PENNSYLVANIA STEEL TECHNOLOGIES, INC.



Located in Steelton, Pa., south of Harrisburg, this subsidiary uses electric furnace steelmaking and a continuous caster in the production of railroad rails for the rail transportation industry and specialty blooms for the forging industry. It is one of only two rail producers in the United States. PST also produces large-diameter pipe for the oil and gas industries.

BETHLEHEM'S SEGMENTS

For financial reporting purposes, we have disaggregated the results of our operations and certain other financial information into two segments: Basic Steel Operations and Steel Related Operations. Financial information with respect to these segments is included in Note B to the Consolidated Financial Statements.

Products and services of the Basic Steel Operations segment include a wide variety of steel mill products described in the table on page 15; raw materials, such as iron ore and coal, which are used in our own steelmaking operations and sold to trade customers; and railroad and lake shipping operations.

The Steel Related Operations segment manufactures and fabricates various iron and steel products for the machinery and utility industries through its BethForge Forging Division and CENTEC joint venture. The BethShip Division, which is also part of Steel Related Operations, repairs vessels and marine drilling and production equipment for the marine and oil and gas industries and the United States Government, and manufactures industrial products.

The products and services of the Basic Steel Operations and Steel Related Operations segments are distributed through our own sales organizations, which have sales offices at various locations in the United States, and through foreign sales agents. Export sales were 5% of total sales in 1992, 5.5% in 1991 and 3.6% in 1990.

Financial Review and Operating Analysis

General

Bethlehem reported a net loss of \$449 million in 1992 compared to net losses of \$767 million in 1991 and \$464 million in 1990. Bethlehem's net loss for 1992 includes a \$250 million net charge representing the cumulative effect of adopting two new Financial Accounting Standards Board Statements, *Accounting for Postretirement Benefits Other Than Pensions* (Statement No. 106) and *Accounting for Income Taxes* (Statement No. 109). These accounting changes also decreased our loss before the cumulative effect of changes in accounting principles by \$45 million for 1992. See "New Accounting Standards" on page 18 and Note A to the Consolidated Financial Statements.

Results for 1992 also include a \$31 million gain at our BethShip Division for reimbursement of a portion of losses reported in prior years on a contract for construction of two oceanographic ships for the United States Navy and a \$25 million charge to increase Bethlehem's reserve for loss contingencies in connection with certain litigation. Bethlehem's net losses for 1991 and 1990 included net restructuring charges of \$575 million and \$550 million, respectively. See Note C to the Consolidated Financial Statements.

Before income taxes, the cumulative effect of changes in accounting principles and restructuring charges, Bethlehem had losses of \$239 million in 1992 compared to losses of \$190 million in 1991 and income of \$93 million in 1990. This decline in operating results was primarily due to lower realized steel prices, a cause of which was unfairly traded imported steel, an unfavorable change in product mix, and higher employment and coal mining costs.

Segment Results

BASIC STEEL OPERATIONS: The Basic Steel Operations segment had losses from operations of \$198 million in 1992, \$708 million in 1991 and \$425 million in 1990. This segment's results for 1991 and 1990 include the previously mentioned restructuring charges. The 1992 results of this segment do not include results for our Bar, Rod and Wire Division because its results were charged directly to accrued liabilities established by the restructuring charge recorded in 1991 for exiting this business. All production at the Bar, Rod and Wire Division ceased during the third quarter of 1992, except for the wire mill, which was sold during the fourth quarter.

Domestic steel industry shipments increased 4% in 1992 to approximately 82 million tons from 79 million tons in 1991. The higher level of 1992 shipments was primarily attributable to improved demand from the automotive and construction markets.

Excluding shipments of the Bar, Rod and Wire Division, steel shipments of the Basic Steel Operation's segment were approximately 10% higher in 1992 than in 1991. The higher shipments were due in part to the increased level of operations of the recently modernized hot-strip mill at our Sparrows Point Division. The increased proportion of lower margin hot-rolled sheet shipments, however, hampered this segment's 1992 results. We expect to reduce the proportion of hot-rolled sheet shipments in our future product mix as we increase shipments of higher margin coated sheet from the two new hot-dip galvanizing lines at the Sparrows Point and Burns Harbor Divisions. Each of these lines commenced start-up operations in December 1992.

Despite the improved level of shipments, steel prices continued to decline in 1992 as a result of intense competitive pressures. Bethlehem's realized steel prices declined in substantially all major product lines and, on average, were 3% lower in 1992 than in 1991 and 6% lower than in 1990.

Raw steel production of the Basic Steel Operations segment was 10.5 million net tons in 1992 compared to 10.0 million net tons in 1991 and 10.9 million net tons in 1990. Utilization of this segment's previously reported production capability of 16 million tons was 66% in 1992 compared to 63% in 1991 and 68% in 1990. Excluding production of our Bar, Rod and Wire Division and recognizing the reduction of our reported raw steel production capability to 11.5 million tons effective January 1, 1993, utilization of production capability would have been 87% in 1992.

The effects of changes in volume, average realized prices and product mix on total steel mill product revenues during the last two years were as follows:

	Increase (Decrease) from prior year	
	1992*	1991
Volume	10%	(6)%
Realized prices	(3)%	(3)%
Product mix	(2)%	(2)%
Total Revenues	5%	(11)%

*Excludes steel mill product revenues from our Bar, Rod and Wire Division.

Although employment costs were higher in 1992 than in 1991 as a result of wage and benefit increases under our labor agreement with the United Steelworkers of America (USWA), see "Employees and Employment Costs" on page 17, operating costs per ton of our Basic Steel Operations were lower in 1992 than in 1991. No material costs for blast furnace relines were incurred in 1992, and operating penalties incurred in connection with the hot-strip mill modernization and coke-oven repair program at our Sparrows Point Division were substantially reduced from 1991 levels. We are planning to repair a portion of the refractory lining of the large Sparrows Point blast furnace during the spring of 1993 and the repairs will require an outage of about 35 days.

In January 1993, we established the Burns Harbor and Sparrows Point steel plants as separate business units to be known as the Burns Harbor Division and the Sparrows Point Division. As separate Business Units, with their own marketing, sales and customer service functions, these Divisions will be able to better serve their customers and respond to changes in their markets. The products of these two Business Units and the markets that they serve are described on pages 12 and 13 of this Report. In 1992, the Burns Harbor Division shipped 4.4 million tons of steel products and the Sparrows Point Division shipped 2.7 million tons.

During 1992, Bethlehem incorporated its Rail Products and Pipe Division as a separate, wholly owned subsidiary, Pennsylvania Steel Technologies, Inc., and approved a \$70 million modernization program to establish the subsidiary as the low-cost North American producer of high-quality railroad rails and specialty blooms. The program, which is expected to be completed during the second half of 1994,

Percentage of Bethlehem's Net Sales by Segment and Major Product

	1992	1991	1990
Basic Steel Operations			
Steel mill products:			
Sheets and tin mill products	59.1%	48.4%	49.3%
Plates	13.3	13.0	13.5
Bars, rods and semifinished	2.6	10.1	8.5
Structural shapes and piling	9.6	8.9	8.4
Other steel mill products	4.0	6.4	3.4
Other products and services (including raw materials)	7.5	7.8	7.6
	96.1	94.6	90.7
Steel Related Operations	3.9	5.4	9.3
	100.0%	100.0%	100.0%

Percentage of Steel Mill Product Shipments by Principal Market

(Based on net tons shipped)	1992	1991	1990
Principal Market			
Service Centers, Processors and Converters	46.3%	40.0%	43.7%
Transportation (including automotive)	19.9	20.5	19.9
Construction	16.0	15.8	15.3
Machinery	5.5	6.0	6.8
Other	12.3	17.7	14.3
	100.0%	100.0%	100.0%

Includes shipments to Bethlehem's manufacturing and fabricating operations.

Percentage of Raw Material Consumption Provided by Bethlehem and Affiliates

	1992	1991	1990
Iron Ore	71%	69%	72%
Coal	41	56	57

will enable this business to produce premium head-hardened rails and includes the installation of state-of-the-art steelmaking facilities, including a new DC electric arc furnace, a ladle furnace and a vacuum degassing unit. In connection with the approval of this modernization program, a new, more competitive long-term labor agreement was negotiated with the USWA covering the employees at this subsidiary. These actions should enable Pennsylvania Steel Technologies, Inc. to further increase its share of the domestic rail market and to benefit from an anticipated increase in the level of rail demand.

The Structural Products Division continues to face intense competition from lower cost mini-mill producers. Although the Division is a positive cash generator, substantial modernization will be required and employment costs must be lowered if it is to be competitive for the long term. In January 1993, Bethlehem's Board of Directors conditionally approved a modernization plan for the Division contingent upon development of a satisfactory business and financial plan that includes a new labor contract and an evaluation of new technology. If implemented, the modernization program would be completed in phases over approximately six years and would include a new electric furnace and a continuous caster to produce beam blanks for the finishing mills. During 1992, we reached an agreement with the USWA to reduce total employment at the Division by approximately 540 employees through changes in work practices and

a special early retirement incentive program. Negotiations are proceeding on a more comprehensive labor agreement, which will be required if the modernization program is to be implemented.

Our coal operations produced 6.1 million tons of coal in 1992 compared to 7.9 million tons in 1991 and 9.4 million tons in 1990. Trade shipments of bituminous coal were 4.0 million tons in 1992, 4.7 million tons in 1991 and 5.9 million tons in 1990. In 1992, Bethlehem increased its reserve for loss contingencies by \$25 million in response to an adverse decision in litigation concerning title to coal previously mined by Bethlehem in Kentucky. In addition to this unfavorable litigation charge, our coal operations incurred substantially higher operating costs in 1992 due to poor market and mining conditions. In 1991, we announced our intention to sell most of our coal operations as ongoing businesses and all of the related reserve properties. During 1992, we sold most of our coal reserves and we sold Mine No. 84 in western Pennsylvania in December. Mine No. 84 produced 1.9 million tons of bituminous coal in 1992.

One of our two affiliated iron ore operations operated at reduced levels during 1992 due to low international steel demand. Our total share of production at both operations was 13 million tons in 1992, 14 million tons in 1991 and 13 million tons in 1990. We expect our affiliated ore operations to continue operating during 1993 at about the same levels as in 1992.

STEEL RELATED OPERATIONS: This segment reported income from operations of \$11 million in 1992 compared to operating losses of \$21 million in 1991 and \$18 million in 1990. 1992 results include a \$31 million gain at our BethShip Division for reimbursement of a portion of the losses reported in prior years on a ship construction contract for the United States Navy. The ships were delivered to the Navy in 1989 and 1990. The BethShip Division's 1992 operating results also benefited from increased levels of fabrication and repair work.

The BethForge Forging Division and the CENTEC joint venture continue to experience losses due to weak markets for forgings and higher operating costs. In January 1993, we announced plans to enhance the ability of our BethForge Forging Division and the CENTEC joint venture to achieve sustained profitability. These plans include establishing each as a separate Business Unit responsible for its own marketing, operations and financial performance. The USWA has agreed in principle to new, separate labor agreements for each Business Unit and negotiations to finalize such agreements are under way. This segment's 1991 results include profits of our former Freight Car Division, which was sold in October 1991.

Trade Matters

Imports of finished steel products have accounted for approximately 16% of the domestic market in each of the last three years. Many foreign steel producers are owned, controlled or subsidized by their governments. Decisions by these foreign producers with respect to production and sales may be influenced to a greater degree by political and economic policy considerations than by prevailing market conditions. Certain foreign producers of steel and products made of steel have continued to ship into the United States market despite decreased profit margins or losses experienced by such producers.

In June 1992, Bethlehem and 11 other domestic steel producers filed extensive unfair trade cases with the United States International Trade Commission (ITC) covering imports of flat-rolled carbon steel products. These cases, if ultimately successful, would result in the

imposition of antidumping and countervailing duties on the covered products. In August 1992, the ITC announced preliminary injury determinations, which affirmed that cases involving 95% of the imports in the original petitions should be continued. In November 1992, the Department of Commerce (DOC) announced preliminary subsidy determinations assessing countervailing duties on subsidized imports from 12 countries. In January 1993, the DOC issued preliminary antidumping determinations for imports from 20 countries representing approximately 14% of the domestic flat-rolled market. As a result of the DOC's preliminary subsidy and antidumping determinations, cash or bonds in amounts equal to the preliminary countervailing duty and/or antidumping margins must be posted on all affected steel imports entering the United States. In order to avoid the necessity of posting such cash or bonds, shipments into the United States of certain steel products affected by these determinations have been declining. The DOC is expected to issue its final determinations in the subsidy and antidumping cases by mid-1993, which will be followed by the ITC's final decision in July 1993, on whether there has been injury. In the event the DOC and the ITC affirm their respective preliminary findings, countervailing and antidumping duties would then begin to be collected on all affected imports.

Information Technology

In December 1992, Bethlehem entered into an information technology partnership agreement with Electronic Data Systems Corporation (EDS), under which EDS will provide all of Bethlehem's information technology services over the next 10 years. EDS will provide Bethlehem with all the necessary resources for data center management, applications development and support, personal computers and telecommunications, and will provide additional resources for Bethlehem's existing process control activities. The new agreement will provide Bethlehem with increased access to diverse information technologies and a broad base of critical technical skills, increase its ability to stay current with rapidly changing technologies and result in reduced capital requirements. Under the agreement, substantially all of Bethlehem's 450 information technology professionals became employees of EDS, effective January 1, 1993.

Liquidity and Financial Resources

Cash and cash equivalents increased to \$208 million at December 31, 1992 from \$84 million at December 31, 1991 due to inventory reductions, principally at our Bar, Rod and Wire Division, and to proceeds from asset sales.

Cash provided by operating activities in 1992 was \$135 million compared to \$119 million in 1991 and \$354 million in 1990.

We realized net cash proceeds from asset sales of \$125 million in 1992 primarily from the sale of various coal operations and reserves and the wire mill at the Bar, Rod and Wire Division. We currently plan to generate about \$50 million from asset sales in 1993, although the timing and potential proceeds of such sales are uncertain. In 1993, we will continue our efforts to sell most of our remaining coal operations and our trackwork fabrication operations.

During 1992, we contributed \$40 million to our pension fund compared to \$131 million in 1991 and \$276 million in 1990. Our pension liability increased to \$1.2 billion in 1992 from \$965 million at December 31, 1991. We will make additional contributions to our pension fund during 1993 as appropriate.

During 1992, we borrowed \$104 million under our \$270 million loan agreement to fund construction of the two new hot-dip galvanizing lines being built at our Sparrows Point and Burns Harbor Divisions. At December 31, 1992, \$221 million was outstanding under this agreement. Bethlehem expects to borrow the balance of the funds available under this loan agreement in the first quarter of 1993. Repayment of this loan will begin later in 1993 and will be amortized over a seven-year period.

In August 1992, we completed a public offering of 13.8 million shares of Common Stock, realizing net proceeds of approximately \$171 million. The proceeds were used to repay borrowings under our 1987 and 1990 credit agreements.

In December 1992, we signed a four-year, non-reducing credit agreement with 19 banks and aggregate initial commitments of \$400 million. The agreement permits additional banks to be added and the aggregate commitment amount to be increased to \$500 million.

The 1992 agreement replaces the 1987 and 1990 credit agreements. The maximum loan amount under the 1987 credit agreement had been declining at the rate of approximately \$31 million per calendar quarter and on December 15, 1992 had been reduced to \$375 million. The maximum loan amount under the 1990 credit agreement had declined from \$100 million to \$75 million in September 1992 and the agreement was scheduled to expire in September 1993. Under our credit agreements, \$80 million in loans and \$104 million in letters of credit were outstanding as of December 31, 1992 compared to \$154 million in loans and \$5 million in letters of credit outstanding at December 31, 1991.

Our accounts receivable and inventories are pledged as collateral under the 1992 agreement. The 1992 agreement contains a restrictive covenant that requires Bethlehem to maintain a minimum adjusted tangible net worth. Bethlehem's adjusted tangible net worth exceeded this requirement by approximately \$360 million at December 31, 1992.

During 1992, we repaid about \$179 million of debt and capital lease obligations. In addition to capital expenditures and potential contributions to our pension fund, major uses of cash during 1993 include the repayment of approximately \$69 million of debt and capital lease obligations. We expect to maintain an adequate level of liquidity throughout 1993.

Common Stock Market and Dividend Information

Period	1992			1991		
	Prices*		Dividends Paid	Prices*		Dividends Paid
	High	Low		High	Low	
First Quarter	\$17.250	\$12.750	\$ —	\$16.625	\$12.875	\$.10
Second Quarter	16.625	12.875	—	18.500	12.125	.10
Third Quarter	15.375	11.500	—	18.375	16.000	.10
Fourth Quarter	16.625	10.000	—	16.875	10.750	.10
			\$ —			\$.40

*The principal market for Bethlehem Common Stock is the New York Stock Exchange. Bethlehem Common Stock is also listed on the Midwest Stock Exchange. The high and low sales prices of the Common Stock as reported in the consolidated transaction reporting system are shown. The trading symbol for Bethlehem Common Stock is BS.

Capital Expenditures

Capital expenditures were \$329 million in 1992 compared to \$564 million in 1991 and \$488 million in 1990. During 1992, we substantially completed construction of the new 48-inch hot-dip galvanizing line at the Sparrows Point Division and the new 72-inch hot-dip galvanizing line at the Burns Harbor Division. Both lines commenced start-up operations in December.

We currently estimate that capital expenditures for 1993 will be approximately \$325 million. During 1993, we are proceeding with the previously discussed modernization program for Pennsylvania Steel Technologies, Inc. See "Segment Results—Basic Steel Operations" on page 14. This program is expected to be completed in the second half of 1994. We are also planning a rebuild of a coke-oven battery at our Burns Harbor Division, which will commence in late 1993 and be completed in mid-1995. During this period, Burns Harbor's coke needs will be supplied by other Bethlehem coke operations and from commercial sources.

In January 1993, Bethlehem's Board of Directors conditionally approved a modernization plan for the Structural Products Division contingent upon development of a satisfactory business and financial plan that includes a new labor contract and an evaluation of new technology. Estimates of capital spending in 1993 do not include any amounts for this plan.

Approximately \$640 million of additional capital expenditures were authorized in 1992. At December 31, 1992, the estimated cost of completing authorized capital expenditures was approximately \$620 million compared to \$310 million at December 31, 1991.

Double G Joint Venture

During 1992, Bethlehem and another steel company entered into a joint venture, known as Double G Coatings Company, L.P., to build and operate a 270,000-ton-per-year steel coating line in Jackson, Mississippi. The new line will produce galvanized and Galvalume® sheet steel primarily for the construction market. Bethlehem and the other company are equal partners in the project and will each market the finished product separately. Bethlehem's cold-rolled coils will be supplied from the Sparrows Point Division. Start-up of the new facility is planned for the first half of 1994.

Employees and Employment Costs

Under Bethlehem's 1989 labor agreement with the USWA, standard hourly wage rates increased an average of \$0.50 per hour, effective January 1, 1992. The agreement also provides for an annual profit-sharing plan equal to 10% of annual corporate income before taxes, unusual items and expenses applicable to the plan. No material profit-sharing payments were distributed to employees for the 1991 plan year and no profit-sharing payments will be made for the 1992 plan year. Under other provisions of the agreement, we issued approximately 13,500 shares of Series A Preference Stock and 242,000 shares of Series B Preference Stock in 1992 to the trustee for the benefit of employees for 1991. We expect to issue approximately 214,000 shares of Series B Preference Stock in 1993 to the trustee for the benefit of employees for 1992.

Approximately two-thirds of our employees are covered by our labor agreements with the USWA. The 1989 agreement with the USWA, covering most of Bethlehem's USWA-represented employees, expires on July 31, 1993. Bethlehem is prepared to commence early negotiations with the USWA to reach a new competitive long-term agreement.

As discussed under "Segment Results—Basic Steel Operations" on page 15, Bethlehem's wholly owned subsidiary Pennsylvania Steel Technologies, Inc. entered into a new labor agreement covering approximately 1,300 USWA-represented employees, effective December 1, 1992, in connection with approval of a modernization program for the subsidiary. This agreement will expire when the successor agreement (to be negotiated with the USWA in 1993) to Bethlehem's 1989 labor agreement expires.

As discussed under "Segment Results—Basic Steel Operations" and "Segment Results—Steel Related Operations" on page 15, separate negotiations are currently under way for a new labor agreement covering USWA-represented employees at the Structural Products Division, the BethForge Forging Division and the CENTEC joint venture.

At the beginning of 1993, Bethlehem had approximately 22,200 employees compared to 26,400 employees at the beginning of 1992. This reduction was accomplished through a number of actions, including a special early retirement incentive program, the exiting of various businesses, our new information technology partnership agreement with EDS and an agreement with the USWA at the Structural Products Division. Bethlehem expects to continue to reduce the number of its employees.

Employment Cost Summary—All Employees

(Dollars in millions, except per employee and per hour data)	1992	1991	1990
Salaries and Wages	\$1,058.0	\$1,105.7	\$1,142.4
Employee Benefits (including retirees):			
Pension Plans:			
Actives	88.9	89.1	87.8
Retirees	101.4	97.5	94.8
Medical and Insurance:			
Actives	129.2	119.4	114.8
Retirees	125.6	119.9	108.0
Payroll Taxes	88.7	103.5	111.6
Union Employee Investment and Profit-Sharing Plans	.2	6.8	19.3
Workers' Compensation	48.6	48.6	46.4
Supplemental Unemployment, Savings Plan and Other	23.4	30.3	26.9
Total Benefit Costs	606.0	615.1	609.6
Total Employment Costs	\$1,664.0	\$1,720.8	\$1,752.0
Employment Costs as a Percent of Net Sales	41.5%	39.9%	35.8%
Average Number of Employees	24,900	27,500	29,600
Average Cost per Employee:			
Salaries and Wages	\$42,489	\$40,207	\$38,596
Benefits (including retirees)	24,338	22,368	20,593
Total	\$66,827	\$62,575	\$59,189
Average Cost per Hour:			
Salaries and Wages	\$ 21.06	\$ 20.19	\$ 19.12
Benefits (including retirees)	12.06	11.23	10.20
Total	\$ 33.12	\$ 31.42	\$ 29.32

Environmental Matters

Bethlehem is subject to stringent federal, state and local environmental laws and regulations concerning, among other things, air emissions, wastewater discharges, and solid and hazardous waste disposal. Bethlehem incurs substantial costs in complying with these environmental laws and regulations. Our total expense for environmental compliance was approximately \$130 million in 1992, \$145 million in 1991 and \$125 million in 1990, while our environmental compliance-related capital expenditures were \$18 million in 1992, \$102 million in 1991 and \$76 million in 1990.

Under the Clean Air Act, as amended, coke-making facilities will have to meet progressively more stringent standards over the next 30 years. During 1991, Bethlehem suspended coke production at the Sparrows Point Division and is currently assessing implementation of the most cost-effective method of supplying coke and completing an emissions reduction program to meet environmental regulations. Bethlehem continues to operate coke-making facilities at its Burns Harbor Division, its Structural Products Division and at Lackawanna, New York. While we continue to evaluate the impact applicable emission control regulations have on these operations, we believe these operations will be able to comply. Bethlehem's future capital expenditures for environmental controls at these and other operations should average in the range of 10% to 15% of our capital budget.

Based on existing and anticipated regulations promulgated under presently enacted legislation, Bethlehem currently estimates that capital spending for installation of new environmental control equipment will be approximately \$50 million in each of the next two years. However, estimates of the future capital expenditures required for environmental compliance are imprecise due to numerous uncertainties, including the evolving nature of the regulations, the possible imposition of more stringent requirements, the availability of new technologies and the timing of expenditures. Although it is possible that our future results of operations in particular quarterly or annual periods could be materially affected by the future costs of environmental compliance, we do not believe the future costs of environmental compliance will have a material adverse effect on our consolidated financial position or on our competitive position with respect to other integrated domestic steelmakers that are subject to the same environmental requirements.

New Accounting Standards

We adopted two new Financial Accounting Standards Board Statements, *Accounting for Postretirement Benefits Other Than Pensions* (Statement No. 106) and *Accounting for Income Taxes* (Statement No. 109), effective with our 1992 financial statements.

Statement No. 106 requires postretirement benefits other than pensions, principally healthcare and life insurance, to be accrued as an expense over the period active employees become eligible for these benefits. Previously, such retiree benefits were generally expensed as claims were incurred. Statement No. 106 also requires that we either recognize the transition obligation immediately as a cumulative effect of a change in an accounting principle or amortize this obligation over 20 years. The transition obligation represents the actuarially calculated accrued postretirement healthcare and life insurance benefit for active employees, retirees and their dependents, which we had not previously expensed or funded. Effective January 1, 1992, we recorded a \$745 million charge net of a \$380 million deferred income tax benefit for the cumulative effect of a change in an accounting principle for the transition obligation under Statement No. 106. This accounting

change also reduced our 1992 loss from operations by \$5 million. See Note I to the Consolidated Financial Statements.

Statement No. 109 requires financial statements to reflect deferred taxes for the future tax consequences of events recognized in different years for financial reporting and tax reporting purposes. Effective January 1, 1992, we recorded a \$495 million net deferred income tax asset as the cumulative effect of a change in an accounting principle. This accounting change also reduced our 1992 net loss by \$40 million. See Note D to the Consolidated Financial Statements.

Statement No. 109 requires that we record a valuation allowance when it is "more likely than not that some portion or all of the deferred tax assets will not be realized." It further states that "forming a conclusion that a valuation allowance is not needed is difficult when there is negative evidence such as cumulative losses in recent years." The ultimate realization of this deferred income tax asset depends on Bethlehem's ability to generate sufficient taxable income in the future. Bethlehem has undergone substantial restructuring and made substantial strategic capital expenditures during the last several years. As a result, Bethlehem has a significantly lower and more competitive cost structure and is in a strong position to take advantage of the economic recovery. In addition, Bethlehem reported net income before income taxes, restructuring charges and extraordinary gains in 1987 through 1990 and incurred higher costs in 1991 and 1992 relating to unusual repair and start-up costs of certain new facilities. While we believe that our total deferred income tax asset will be fully realized by future operating results together with tax planning opportunities, e.g., control over contributions to our pension trust and selection of future tax depreciation methods, our losses in recent years and desire to be conservative make it appropriate to record a valuation allowance.

Accordingly, we have provided a valuation allowance at January 1 and December 31, 1992, equal to 50% of the total deferred income tax asset related to our operating loss carryforward and our temporary differences exclusive of postretirement benefits other than pensions. Our annual financial statement expense for postretirement benefits other than pensions will exceed the annual amount deductible in our tax returns for many years. Furthermore, if we have a tax loss in any year in which our tax deduction exceeds our financial statement expense, the tax law currently provides for a 15-year carryforward of that loss against future taxable income. Accordingly, we have many years to realize these future tax benefits. We believe, therefore, a valuation allowance is not necessary for the deferred income tax asset related to our temporary difference for postretirement benefits other than pensions.

If we are unable to generate sufficient taxable income in the future through operating results or tax planning opportunities, increases in the valuation allowance will be required through a charge to expense (reducing our stockholders' equity). On the other hand, if we achieve sufficient profitability to use all of our deferred income tax asset, the valuation allowance will be reduced through a credit to expense (increasing our stockholders' equity).

Consolidated Statements of Income

	Year Ended December 31		
(Dollars in millions, except per share data)	1992	1991	1990
Net Sales	\$4,007.9	\$4,317.9	\$4,899.2
Costs and Expenses:			
Cost of sales	3,773.9	4,059.7	4,327.2
Depreciation (Note A)	261.7	241.4	305.7
Selling, administrative and general expense	159.3	171.0	159.6
Estimated restructuring losses—net (Note C)	—	575.0	550.0
Total Costs and Expenses	<u>4,194.9</u>	<u>5,047.1</u>	<u>5,342.5</u>
Loss from Operations	(187.0)	(729.2)	(443.3)
Financing Income (Expense):			
Interest and other income	4.9	9.7	29.9
Interest and other financing costs	<u>(57.2)</u>	<u>(45.5)</u>	<u>(44.1)</u>
Loss Before Income Taxes and Cumulative Effect of Changes in Accounting Principles	(239.3)	(765.0)	(457.5)
Benefit (Provision) for Income Taxes (Notes A and D)	<u>40.0</u>	<u>(2.0)</u>	<u>(6.0)</u>
Loss Before Cumulative Effect of Changes in Accounting Principles [(\$2.73), (\$10.41) and (\$6.45) per share]	(199.3)	(767.0)	(463.5)
Cumulative Effect of Changes in Accounting Principles [(\$3.05) per share] (Note A)	<u>(250.0)</u>	<u>—</u>	<u>—</u>
Net Loss	(449.3)	(767.0)	(463.5)
Dividend Requirements for Preferred and Preference Stock	<u>24.3</u>	<u>24.7</u>	<u>24.2</u>
Net Loss Applicable to Common Stock [(\$5.78), (\$10.41) and (\$6.45) per share]	<u>\$ (473.6)</u>	<u>\$ (791.7)</u>	<u>\$ (487.7)</u>

The accompanying Notes are an integral part of the Consolidated Financial Statements.

Consolidated Balance Sheets

	December 31	
(Dollars in millions, except per share data)	1992	1991
ASSETS		
Current Assets:		
Cash and cash equivalents (Note A)	\$ 208.2	\$ 83.8
Receivables, less allowances of \$15.7 and \$18.1 (Note E)	403.3	413.7
Inventories (Notes A and E)	344.4	453.4
Other current assets	5.5	6.9
Total Current Assets	961.4	957.8
Property, Plant and Equipment , less accumulated depreciation of \$4,255.1 and \$4,129.7 (Note A)	2,804.5	2,864.8
Investments and Miscellaneous Assets (Note A)	150.2	133.7
Deferred Income Tax Asset—net (Note D)	915.0	—
Intangible Asset—Pensions (Note H)	239.6	172.0
Total Assets	<u>\$5,070.7</u>	<u>\$4,128.3</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 375.7	\$ 431.5
Accrued employment costs	132.8	146.1
Postretirement benefits other than pensions (Note I)	122.0	14.0
Accrued taxes (Note D)	67.5	79.6
Debt and capital lease obligations (Notes E and F)	69.2	109.6
Other current liabilities	126.0	150.2
Total Current Liabilities	893.2	931.0
Pension Liability (Note H)	1,188.7	964.9
Postretirement Benefits Other Than Pensions (Note I)	1,417.9	430.0
Long-term Debt and Capital Lease Obligations (Notes E and F)	726.8	761.6
Other Long-term Liabilities	465.0	366.0
Stockholders' Equity (Notes J, K and L):		
Preferred Stock—at \$1 per share par value (aggregate liquidation preference of \$225.0); Authorized 20,000,000 shares; issued and outstanding:		
\$5.00 Cumulative Convertible Preferred Stock, 2,500,000 shares	2.5	2.5
\$2.50 Cumulative Convertible Preferred Stock, 4,000,000 shares	4.0	4.0
Preference Stock—at \$1 per share par value (aggregate liquidation preference of \$96.0); Authorized 20,000,000 shares; issued and outstanding:		
Series "A" 5% Cumulative Convertible Preference Stock, 2,339,331 and 2,406,696 shares	2.4	2.4
Series "B" 5% Cumulative Convertible Preference Stock, 529,319 and 306,398 shares	.5	.3
Common Stock—at \$1 per share par value; Authorized 150,000,000 shares;		
Issued 92,511,105 and 78,377,096 shares	92.5	78.4
Held in treasury 2,001,677 and 1,996,877 shares at cost	(59.7)	(59.6)
Additional Paid-in Capital	1,420.8	1,281.4
Retained Deficit	(1,083.9)	(634.6)
Total Stockholders' Equity	379.1	674.8
Total Liabilities and Stockholders' Equity	<u>\$5,070.7</u>	<u>\$4,128.3</u>

The accompanying Notes are an integral part of the Consolidated Financial Statements

Consolidated Statements of Cash Flows

	Year Ended December 31		
(Dollars in millions)	1992	1991	1990
Operating Activities:			
Net loss	\$ (449.3)	\$ (767.0)	\$ (463.5)
Adjustments for items not affecting cash from operating activities:			
Depreciation	261.7	241.4	305.7
Estimated restructuring losses—net (Note C)	—	575.0	550.0
Cumulative effect of changes in accounting principles (Note A)	250.0	—	—
Deferred income taxes	(40.0)	—	—
Other—net	26.5	11.4	(17.1)
Working capital*:			
Receivables	5.2	33.2	33.1
Inventories	156.8	(27.3)	(58.0)
Accounts payable	(59.2)	18.4	43.2
Employment costs and other	(17.6)	13.0	(44.9)
Other—net	1.0	20.6	5.9
Cash Provided from Operating Activities	135.1	118.7	354.4
Investing Activities:			
Capital expenditures	(328.7)	(563.9)	(488.0)
Cash proceeds from sales of businesses and assets	124.9	83.7	73.0
Other—net	7.2	.4	26.2
Cash Used for Investing Activities	(196.6)	(479.8)	(388.8)
Financing Activities:			
Pension financing (funding)—net (Note H)	148.5	53.9	(96.3)
Revolving and other credit borrowings (payments)—net	(74.0)	144.0	10.0
Long-term debt borrowings (Note E)	104.0	125.8	—
Long-term debt and capital lease payments (Notes E and F)	(105.3)	(68.6)	(70.3)
Restructured facilities payments	(36.1)	(30.8)	(14.6)
Cash dividends paid (Note L)	(22.5)	(52.9)	(52.8)
Common Stock issued (Note L)	171.3	—	1.4
Cash Provided from (Used for) Financing Activities	185.9	171.4	(222.6)
Net Increase (Decrease) in Cash and Cash Equivalents	124.4	(189.7)	(257.0)
Cash and Cash Equivalents—Beginning of Period	83.8	273.5	530.5
—End of Period	\$ 208.2	\$ 83.8	\$ 273.5
Supplemental Cash Payment Information:			
Interest, net of amount capitalized	\$ 57.1	\$ 44.4	\$ 41.6
Income taxes (Note D)	\$ 1.3	\$ 1.9	\$ 1.2

*Excludes Financing Activities and Investing Activities.
The accompanying Notes are an integral part of the Consolidated Financial Statements.

Notes to Consolidated Financial Statements

A. Accounting Policies

PRINCIPLES OF CONSOLIDATION: The consolidated financial statements include the accounts of Bethlehem Steel Corporation and all majority-owned subsidiaries and joint ventures.

CASH AND CASH EQUIVALENTS: Cash equivalents consist primarily of overnight investments, certificates of deposit and other short-term, highly liquid instruments generally with original maturities at the time of acquisition of three months or less. Cash equivalents are stated at cost plus accrued interest, which approximates market.

INVENTORIES: Inventories are valued at the lower of cost (principally LIFO) or market. Contract work in progress is valued at cost less billings. Estimated losses are recognized when first apparent and partial profits are based on percentage of completion.

Inventory values are:

	December 31	
(Dollars in millions)	1992	1991
LIFO	\$268.0	\$390.4
FIFO	53.9	45.4
Contract work in progress less billings	22.5	17.6
Total inventories	<u>\$344.4</u>	<u>\$453.4</u>

Our inventories valued at current cost are:

	December 31	
(Dollars in millions)	1992	1991
Raw materials and supplies	\$352.7	\$402.4
Finished and semifinished products	441.3	538.3
Contract work in progress less billings of \$5.3 and \$1.7	22.5	17.6
Total at current cost	816.5	958.3
Excess of current cost over LIFO values	(472.1)	(504.9)
Total inventories	<u>\$344.4</u>	<u>\$453.4</u>

Certain LIFO inventory quantities have been reduced, resulting in charges to cost of sales at the lower costs prevailing in prior years compared to current year costs. These liquidations reduced cost of sales by \$6.1, \$15.1 and \$10.2 million in 1992, 1991 and 1990.

INVESTMENTS: Investments in associated enterprises accounted for by the equity method were \$63.0 million and \$44.2 million at December 31, 1992 and 1991. Associated enterprises are primarily 50% or less interests in coating and mining operations.

PROPERTY, PLANT AND EQUIPMENT: Property, plant and equipment is stated at cost. Maintenance, repairs and renewals which neither materially add to the value of the property nor appreciably prolong its life are charged to expense. Gains or losses on dispositions of property, plant and equipment are recognized in income. Interest is capitalized on significant construction projects and totaled \$17.3, \$26.8 and \$21.4 million in 1992, 1991 and 1990.

Our property, plant and equipment by major classification is:

	December 31	
(Dollars in millions)	1992	1991
Land (net of depletion)	\$ 53.3	\$ 90.1
Buildings	694.2	694.1
Machinery and equipment:		
Steel manufacturing	5,395.1	5,025.5
Other	740.8	813.7
	6,883.4	6,623.4
Accumulated depreciation	(4,255.1)	(4,129.7)
	2,628.3	2,493.7
Construction in progress	176.2	371.1
Total	<u>\$2,804.5</u>	<u>\$2,864.8</u>

DEPRECIATION: Depreciation, which includes amortization of assets under capital leases, is based upon the estimated useful lives of each asset group. The estimated useful life is 18 years for most steel producing assets. Steel, other than blast furnace linings, and most raw material producing assets are depreciated on a straight-line basis adjusted by an activity factor. This factor is based on the ratio of production and shipments for the current year to the average production and shipments for the current and preceding four years at each operating location. Annual depreciation after adjustment for this activity factor is not less than 75% nor more than 125% of straight-line depreciation. Depreciation after adjustment for this activity factor was \$6.1, \$21.9 and \$9.8 million less than straight-line in 1992, 1991 and 1990. Through December 31, 1992, \$48.3 million less accumulated depreciation has been recorded under this method than would have been recorded under straight-line depreciation.

The cost of blast furnace linings is depreciated on a unit of production basis. All other assets are depreciated on a straight-line basis.

ACCOUNTING CHANGES: During 1992, we adopted two new Financial Accounting Standards Board Statements, *Accounting for Postretirement Benefits Other Than Pensions* (Statement No. 106) and *Accounting for Income Taxes* (Statement No. 109).

Statement No. 106 requires postretirement benefits other than pensions, principally healthcare and life insurance, be accrued as an expense over the period active employees become eligible for the benefits. Previously, such retiree benefits were generally expensed as claims were incurred. Statement No. 106 also requires that we either recognize the transition obligation immediately as a cumulative effect of a change in an accounting principle or amortize this obligation over 20 years. The transition obligation represents the actuarially calculated accrued postretirement healthcare and life insurance benefit for active employees, retirees and their dependents which we had not previously expensed or funded. Effective January 1, 1992, we recorded a \$745.0 million charge (\$9.09 per share), net of a \$380.0 million deferred income tax benefit, for the cumulative effect of a change in an accounting principle for the transition obligation under Statement No. 106. This accounting change reduced our 1992 loss from operations by \$5.0 million (\$.06 per share). See Note I.

Certain amounts at December 31, 1991 have been reclassified to conform with the current year presentation.

Statement No. 109 requires financial statements reflect deferred income taxes for the future tax consequences of events recognized in different years for financial reporting and tax reporting purposes. Effective January 1, 1992, we recorded a \$495.0 million (\$6.04 per share) net deferred income tax asset as the cumulative effect of a change in an accounting principle. This accounting change also reduced our 1992 net loss by \$40.0 million (\$.49 per share). See Note D.

B. Industry Segment Information

(Dollars in millions)	1992*	1991	1990
Sales:			
Trade:			
Basic Steel Operations	\$3,849.7	\$4,085.7	\$4,439.8
Steel Related Operations	158.2	232.2	459.4
Intersegment:			
Basic Steel Operations	8.1	21.0	80.2
Steel Related Operations	21.6	18.7	47.6
Eliminations	(29.7)	(39.7)	(127.8)
Total	\$4,007.9	\$4,317.9	\$4,899.2
Estimated Restructuring Losses—net:			
Basic Steel Operations	\$ —	\$ 575.0	\$ 550.0
Steel Related Operations	—	—	—
Total	\$ —	\$ 575.0	\$ 550.0
Income (Loss) from Operations:			
Basic Steel Operations	\$ (198.3)	\$ (707.9)	\$ (425.0)
Steel Related Operations	11.3	(21.3)	(18.3)
Total	\$ (187.0)	\$ (729.2)	\$ (443.3)
Shipments (tons in thousands):			
Basic Steel Operations	8,431	8,303	8,628
Identifiable Assets:			
Basic Steel Operations	\$3,388.2	\$3,673.6	\$3,554.9
Steel Related Operations	139.0	139.5	182.8
Corporate	1,543.5	315.2	644.4
Total	\$5,070.7	\$4,128.3	\$4,382.1
Depreciation:			
Basic Steel Operations	\$ 256.0	\$ 235.1	\$ 298.2
Steel Related Operations	5.7	6.3	7.5
Total	\$ 261.7	\$ 241.4	\$ 305.7
Capital Expenditures:			
Basic Steel Operations	\$ 325.8	\$ 554.3	\$ 482.4
Steel Related Operations	2.9	9.6	5.6
Total	\$ 328.7	\$ 563.9	\$ 488.0

*The 1992 operating results do not include the results from our Bar, Rod and Wire Division (see Note C).

A general description of our segments and their products and services is contained in Financial Review and Operating Analysis under the heading "Bethlehem's Segments" on page 13 of this Report.

Intersegment sales are generally at market prices. Corporate assets consist primarily of cash and cash equivalents, investments, deferred income tax asset and an intangible asset—pensions.

C. Estimated Restructuring Losses

On January 29, 1992, we announced our plans to exit the business of our Bar, Rod and Wire Division and to reduce forces throughout the corporation during 1992. We also announced that it was not feasible to make the necessary repairs to meet the ever more stringent environmental requirements at our Sparrows Point Division coke-making operations and, therefore, a significant portion of the coke ovens' book value had been written off. Principally as a result of these actions, we recorded a net restructuring loss of \$575 million in 1991. Accordingly, the 1992 results for the Bar, Rod and Wire Division were charged directly to the accrued liabilities established by this restructuring charge and were not included in our 1992 operating results.

In 1990, we recorded a restructuring loss of \$550 million principally involving a proposed joint venture to produce and market structural and rail products in the United States at our existing business units in Bethlehem and Steelton, Pennsylvania. On November 11, 1991, Bethlehem terminated discussions regarding the proposed joint venture. As a result, and based on our current plans for these businesses, we announced that the existing blast furnace and BOF steelmaking operations in Bethlehem would be discontinued over the next few years and our trackwork operations, which are part of our rail business in Steelton, would be sold or discontinued.

The restructuring loss recorded in 1990 in connection with the proposed joint venture exceeded the restructuring loss required for discontinuing the blast furnace and BOF steelmaking operations and exiting our trackwork operations. The estimated restructuring loss recorded in 1991 was, therefore, reduced by approximately \$80 million.

These restructuring charge amounts include certain pension costs related to the employees involved in these businesses and assets of \$190 and \$115 million for 1991 and 1990.

D. Taxes

Effective January 1, 1992, we began accounting for income taxes under Statement No. 109, *Accounting for Income Taxes*. Statement No. 109 superseded Statement No. 96, which we followed in 1991 and 1990. We did not restate prior years' financial statements (see Note A).

Our benefit (provision) for income taxes consisted of:

(Dollars in millions)	1992	1991	1990
Federal—current	\$ —	\$ —	\$(2.0)
State and foreign—current	—	(2.0)	(4.0)
Total current	—	(2.0)	(6.0)
Federal—deferred	40.0	—	—
Total benefit (provision)	\$40.0	\$(2.0)	\$(6.0)

The benefit (provision) for income taxes differs from the amount computed by applying the federal statutory rate to pre-tax income (loss). The computed amounts and the items comprising the total differences follow:

(Dollars in millions)	1992	1991	1990
Pre-tax income (loss):			
United States	\$(244.4)	\$(773.0)	\$(474.2)
Foreign	5.1	8.0	16.7
Total	<u>\$(239.3)</u>	<u>\$(765.0)</u>	<u>\$(457.5)</u>
Computed benefit (provision):	\$ 81.4	\$ 260.1	\$ 155.6
Percentage depletion	6.8	—	—
Dividend received deduction	2.7	—	—
Valuation allowance	(50.0)	—	—
Loss in excess of allowable carrybacks	—	(260.1)	(155.6)
Alternative minimum tax	—	—	(2.0)
State and foreign taxes	—	(2.0)	(4.0)
Other differences—net	(.9)	—	—
Total benefit (provision)	<u>\$ 40.0</u>	<u>\$ (2.0)</u>	<u>\$ (6.0)</u>

The components of our net deferred income tax asset at January 1 (see Note A) and December 31, 1992 follow:

	1992	
(Dollars in millions)	December 31	January 1
Temporary differences:		
Employee benefits	\$ 950	\$ 900
Depreciable assets	(290)	(270)
Other	140	130
Total	800	760
Operating loss carryforward	510	460
Deferred income tax asset	1,310	1,220
Valuation allowance	(395)	(345)
Deferred income tax asset—net	<u>\$ 915</u>	<u>\$ 875</u>

Temporary differences represent the cumulative taxable or deductible amounts recorded in our financial statements in different years than recognized in our tax returns. Our employee benefits temporary difference includes amounts expensed in our financial statements for pensions, healthcare, life insurance and other postretirement benefits which become deductible in our tax return upon payment or funding in qualified trusts. The depreciable assets temporary

difference represents generally tax depreciation in excess of financial statement depreciation. Other temporary differences represent principally various expenses accrued for financial reporting purposes that are not deductible for tax reporting purposes until paid. At December 31, 1992, we had regular tax net operating loss carryforwards of \$1.5 billion and alternative minimum tax loss carryforwards of \$700 million. Regular federal tax net operating loss carryforward of \$420 million expires in 1998 with the balance expiring in varying amounts from 1999 through 2007.

Statement No. 109 requires that we record a valuation allowance when it is "more likely than not that some portion or all of the deferred tax assets will not be realized." It further states that "forming a conclusion that a valuation allowance is not needed is difficult when there is negative evidence such as cumulative losses in recent years." The ultimate realization of this deferred income tax asset depends on our ability to generate sufficient taxable income in the future. Bethlehem has undergone substantial restructuring and made substantial strategic capital expenditures during the last several years. As a result, Bethlehem has a significantly lower and more competitive cost structure and is in a strong position to take advantage of an economic recovery. In addition, Bethlehem reported net income before income taxes, restructuring charges and extraordinary gains in 1987 through 1990 and incurred higher costs in 1991 relating to unusual repair and start-up costs of certain new facilities. While we believe that our total deferred income tax asset will be fully realized by future operating results together with tax planning opportunities, e.g., control over contributions to our pension trust and selection of future tax depreciation methods, our losses in recent years and desire to be conservative make it appropriate to record a valuation allowance.

Accordingly, we have provided a valuation allowance at January 1 and December 31, 1992, equal to 50% of the total deferred income tax asset related to our operating loss carryforward and our temporary differences exclusive of postretirement benefits other than pensions. Our annual financial statement expense for postretirement benefits other than pensions will exceed the annual amount deductible in our tax returns for many years. Furthermore, if we have a tax loss in any year in which our tax deduction exceeds our financial statement expense, the tax law currently provides for a 15-year carryforward of that loss against future taxable income. Accordingly, we have many years to realize these future tax benefits. We believe, therefore, a valuation allowance is not necessary for the deferred income tax asset related to our temporary difference for postretirement benefits other than pensions.

If we are unable to generate sufficient taxable income in the future through operating results or tax planning opportunities, increases in the valuation allowance will be required through a charge to expense (reducing our stockholders' equity). On the other hand, if we achieve sufficient profitability to use all of our deferred income tax asset, the valuation allowance will be reduced through a credit to expense (increasing our stockholders' equity).

In addition to income taxes, we incurred costs for certain other taxes as follows:

(Dollars in millions)	1992	1991	1990
Employment taxes	\$ 88.7	\$103.5	\$111.6
Property taxes	26.7	27.4	26.3
State and foreign taxes	11.2	16.8	16.9
Federal excise tax on coal	5.3	7.1	8.1
Total other taxes	<u>\$131.9</u>	<u>\$154.8</u>	<u>\$162.9</u>

E. Long-term Debt

	December 31	
(Dollars in millions)	1992	1991
Hot-dip galvanizing lines financing	\$220.5	\$116.5
Revolving and other credit agreements	80.0	154.0
Debentures:		
5.40% Due 1992	—	30.0
6 7/8% Due 1999	18.8	18.8
9% Due 2000	41.3	41.3
8 3/8% Due 2001	41.6	41.6
8.45% Due 2005	90.7	90.8
Pollution control and industrial revenue bonds:		
5 1/4%-8%, Due 1993-2002	90.7	103.1
Variable interest at 50%-70% of prime rate, Due 1993-1996	35.0	53.0
Notes and loans:		
9%—12.75%, Due 1993-1997	35.0	44.4
Unamortized debt discount	(2.1)	(2.4)
Amounts due within one year	(33.2)	(73.5)
Total long-term debt	\$618.3	\$617.6

Excluding revolving credit loans, maturities and sinking fund requirements at December 31, 1992 for the next five years were \$33 million in 1993, \$60 million in 1994, \$63 million in 1995, \$86 million in 1996 and \$69 million in 1997.

A consortium of Japanese trading companies is providing up to \$270 million to finance a major portion of the costs to construct hot-dip galvanizing lines at our Sparrows Point and Burns Harbor Divisions. Borrowings are collateralized by the coating lines and incur interest based on the London Interbank Offered Rate (LIBOR). At December 31, 1992, borrowings of \$220.5 million were outstanding. This loan will be repaid in equal semiannual installments over a seven-year period beginning later in 1993. We may elect to convert the interest rate to a fixed rate after construction is completed. A commitment fee of one half of 1% per annum is charged on the unused loan commitment.

In December 1992, we entered into a four-year, non-reducing revolving credit agreement with initial bank commitments of \$400 million. The agreement permits additional banks to be added and the total commitment amount to be increased to \$500 million. The 1992 revolving credit agreement essentially replaces both the 1990

and 1987 revolving credit agreements. Borrowings under the 1992 revolver are subject to collateral coverage requirements. Our accounts receivable and inventories are pledged as collateral for borrowings and letters of credit under the 1992 credit agreement and certain other obligations to participating banks. Borrowings outstanding at December 31, 1992 were \$80 million and incur interest based on the prime rate, Federal Funds rate, certificate of deposit rates or LIBOR. We pay five-eighths of 1% per annum commitment fee on the unused available credit.

Bethlehem's revolving credit and hot-dip galvanizing lines financing agreements contain restrictive covenants which require Bethlehem to maintain a minimum adjusted tangible net worth. At December 31, 1992, our adjusted tangible net worth exceeded the more restrictive of these requirements by approximately \$360 million.

At December 31, 1992, interest rate swap agreements with notional amounts totaling \$225 million effectively fix the interest rate on a like amount of our floating rate debt at 7.99% to 11.95%. These agreements expire from 1995 through 2001. Net payments or receipts under these agreements are included in interest expense.

We estimate the aggregate fair value of our debt and related obligations about equals the \$651.5 million recorded at December 31, 1992 for total debt. We based our estimates on quoted market prices or current rates offered for debt with similar terms and maturities.

F. Leases

We lease certain manufacturing facilities and equipment under capital leases, the most significant of which covers the two continuous casters at our Sparrows Point and Burns Harbor Divisions. The lease requires quarterly rental payments of \$9 million plus interest at 1 1/4% above LIBOR. The amounts included in property, plant and equipment for capital leases were \$337.9 million (net of \$184.4 million accumulated amortization) and \$358.6 million (net of \$151.0 million accumulated amortization) at December 31, 1992 and 1991.

Future minimum payments under noncancellable operating leases at December 31, 1992 were \$18 million in 1993, \$17 million in 1994, \$15 million in 1995, \$13 million in 1996, \$6 million in 1997 and \$40 million thereafter. Total rental expense under operating leases was \$49.8, \$46.6 and \$44.0 million in 1992, 1991 and 1990.

G. Commitments and Contingent Liabilities

Based generally on our proportionate ownership in certain iron ore associated enterprises (50% or less owned), we are entitled to receive our share of the ore produced and are committed to pay our share of their costs. We received 2.7 million net tons of iron ore from these enterprises in each of the years 1992, 1991 and 1990 at a net cost of \$89.1 million, \$84.4 million and \$82.3 million.

At December 31, 1992, we had outstanding approximately \$202 million of purchase orders for additions and improvements to our properties.

We, as well as other steel companies, are subject to various environmental laws and regulations imposed by federal, state and local governments. Because of the continuing evolution of the specific regulatory requirements and available technology to comply with the requirements, we cannot reasonably estimate the future capital expenditures and operating costs required to comply with these laws and regulations. Although it is possible that our future operating results in a particular quarterly or annual period could be materially affected by the future costs of environmental compliance, we do not

believe the future costs of environmental compliance will have a material adverse effect on our consolidated financial position or on our competitive position with respect to other integrated domestic steelmakers subject to the same environmental requirements.

In the ordinary course of our business, we are involved in various pending or threatened legal actions. We believe that any ultimate liability arising from these actions will not have a material adverse effect on our consolidated financial position.

H. Postretirement Pension Benefits

We have noncontributory defined benefit pension plans which provide benefits for substantially all employees. Defined benefits are based on years of service and the five highest consecutive years of pensionable earnings during the last ten years prior to retirement or a minimum amount based on years of service. We fund annually the amount required under ERISA minimum funding standards plus additional amounts as appropriate.

The following sets forth the plans' actuarial assumptions used and funded status at year end together with amounts recognized in our consolidated balance sheets:

	December 31	
(Dollars in millions)	1992	1991
Assumptions:		
Discount rate	8.50%	8.50%
Average rate of compensation increase	4.4%	4.5%
Actuarial present value of benefit obligations:		
Vested benefit obligation	\$4,357.9	\$4,324.4
Accumulated benefit obligation	4,490.1	4,457.2
Projected benefit obligation	4,822.7	4,769.6
Plan assets at fair value:		
Fixed income securities	1,979.8	2,090.3
Equity securities	1,006.0	1,187.1
Cash and marketable securities	315.6	214.9
Total plan assets	3,301.4	3,492.3
Projected benefit obligation in excess of plan assets	1,521.3	1,277.3
Unrecognized net gain	(58.3)	87.8
Remaining unrecognized net obligation resulting from adoption of Statement No. 87	(339.0)	(378.0)
Unrecognized prior service cost from plan amendments	(174.9)	(194.2)
Adjustment required to recognize minimum liability—intangible asset	239.6	172.0
Balance sheet liability	<u>\$1,188.7</u>	<u>\$ 964.9</u>

The assumptions used in each year and the components of our annual pension cost are as follows:

(Dollars in millions)	1992	1991	1990
Assumptions:			
Return on plan assets	9.50%	10.25%	10.0%
Discount rate	8.50%	9.25%	9.0%
Defined benefit plans:			
Service cost—benefits earned during the period	\$ 45.0	\$ 45.6	\$ 45.9
Interest on projected benefit obligation	394.2	386.6	378.5
Return on plan assets—actual	(250.0)	(582.7)	(171.4)
—deferred	(62.2)	265.5	(147.7)
Amortization of initial net obligation	37.8	43.9	46.3
Amortization of unrecognized prior service cost from plan amendments	18.8	21.0	22.1
Total defined benefit plans	183.6	179.9	173.7
PBGC premiums, etc.	10.7	10.7	6.3
Charged to liabilities for restructured operations	(5.6)	(5.9)	—
Multi-employer plans	1.7	2.0	2.6
Total cost	<u>\$190.4</u>	<u>\$186.7</u>	<u>\$182.6</u>

I. Postretirement Benefits Other Than Pensions

In addition to providing pension benefits, we currently provide healthcare and life insurance benefits for most retirees and their dependents. Effective January 1, 1992, we adopted Statement No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions* (see Note A). We previously accounted for such benefits generally on a claims incurred basis and prior year financial statements have not been restated. We continue to fund healthcare benefits through various third-party administrators based on claims incurred. Therefore, the adoption of this statement has no effect on our cash flow. Life insurance benefits have been funded on an actuarial basis which amounted to \$7.9 million in 1992.

Information regarding our plans' actuarial assumptions, funded status, liability and transition obligation follows:

	1992	
(Dollars in millions)	December 31	January 1
Accumulated postretirement benefit obligation:		
Retirees	\$1,413.7	\$1,438.0
Fully eligible active plan participants	105.1	105.0
Other active plan participants	176.2	165.0
Total	1,695.0	1,708.0
Plan assets at fair value:		
Fixed income securities	159.6	153.0
Accumulated postretirement benefit obligation in excess of plan assets	1,535.4	1,555.0
Unrecognized net gain	4.5	—
Balance sheet liability	<u>\$1,539.9</u>	1,555.0
Amount recognized prior to 1992 from restructurings		430.0
Transition obligation recognized on January 1 (see Note A)		<u>\$1,125.0</u>

The components of our postretirement benefit cost follow:

(Dollars in millions)	1992
Service cost	\$ 9.0
Interest on accumulated postretirement benefit obligation	139.0
Return on plan assets—actual	(18.4)
—deferred	4.5
Multi-employer plans	7.1
Total cost	<u>\$141.2</u>

The assumed weighted average healthcare trend rate used to calculate the accumulated postretirement benefit obligation and 1992 expense was 9.5%, declining gradually until it reaches an ultimate average rate of 5.5% in the year 2000. A 1% increase in the assumed healthcare trend rate would increase the accumulated postretirement benefit obligation by \$147 million and 1992 expense by \$14 million. The discount rate used in calculating the obligation and 1992 expense was 8.5% and the assumed earnings on plan assets was 9.5%.

Prior to 1992, the cost of providing retiree healthcare benefits was recognized as expense generally on a claims incurred basis and was \$112.9 and \$100.9 million during 1991 and 1990. In addition, we charged \$10.8 and \$7.2 million in payments for such benefits to the accrued liabilities for restructuring during the same periods (see Note C). The estimated cost of postretirement life insurance was accrued over the working lives of those employees expected to qualify for such benefits. The cost was funded annually and was \$6.9 and \$7.0 million in 1991 and 1990.

We are also required, under various union contracts, to make payments to multi-employer health and welfare plans to cover health and death benefits for certain active and retired employees. These payments were \$7.1, \$7.0 and \$9.1 million in 1992, 1991 and 1990.

During 1992, legislation was enacted to replace the healthcare plan for certain former mine workers and their dependents with a new multi-employer plan. We estimate that this legislation will increase our annual future cost between \$3.0 and \$5.0 million. The net present value of the future payments to this fund at December 31, 1992 is based on the number of participants ultimately assigned to us and is, therefore, not determinable at this time.

J. Stockholder Rights Plan

We have a Stockholder Rights Plan under which holders of Common Stock have rights to purchase a new series of Preference Stock. When exercisable, each right entitles the holder to purchase a hundredth of a share of Series A Junior Participating Preference Stock at an exercise price of \$80 per unit. The rights will become exercisable only if a person or group acquires 20% or more of Common Stock or begins a tender offer or exchange offer which would result in that person or group beneficially owning 20% or more of Common Stock. Subsequently, upon the occurrence of certain events, holders of rights will be entitled to purchase Common Stock of Bethlehem or a third-party acquiror worth twice the right's exercise price. Until the rights become exercisable, we may redeem them at one cent per right. The rights expire on October 18, 1998.

K. Stock Options

At December 31, 1992, we had options outstanding under our Stock Option Plans. The 1988 Stock Incentive Plan was approved by our stockholders on April 26, 1988. New options can be granted only under the 1988 Plan, which reserved 3,000,000 shares of Common Stock for such use. At December 31, 1992, options on 624,270 shares of Common Stock were available for granting under the 1988 Plan. The option price is the fair market value of our Common Stock on the date the option is granted. Options issued under the 1988 Plan become exercisable either one or two years after the date granted and expire ten years from the date granted. Exercisable options may be surrendered for the difference between the option price and the fair market value of the Common Stock on the date of surrender. Depending on the circumstances, option holders receive either Common Stock, cash or a combination of Common Stock and cash.

Changes in options outstanding during 1992 and 1991 under the Plans were as follows:

	Number of Options	Option Price or Range
Balance December 31, 1990	2,394,730	7¾–30½
Granted	434,300	14
Terminated or cancelled	(283,707)	13–30½
Surrendered or exercised	(3,100)	8–13
Balance December 31, 1991	2,542,223	7¾–27½
Granted	492,200	14½
Terminated or cancelled	(123,104)	14–27½
Balance December 31, 1992	<u>2,911,319</u>	7¾–27½

2,207,569 options outstanding were exercisable at December 31, 1992.

L. Stockholders' Equity

(Shares in thousands and dollars in millions, except per share data)

	Preferred Stock \$1.00 Par Value		Preference Stock \$1.00 Par Value		Common Stock \$1.00 Par Value		Additional Paid-in Capital	Retained Earnings (Deficit)	Common Stock Held in Treasury	
	Shares	Amount	Shares	Amount	Shares	Amount			Shares	Amount
Balance December 31, 1989	6,500	\$ 6.5	2,976	\$ 3.0	77,215	\$ 77.2	\$1,283.0	\$ 692.8	1,997	\$59.6
Net loss for year								(463.5)		
Preferred Stock dividends								(22.5)		
Preference Stock:										
Stock dividend			147	.1			2.5	(2.6)		
Issued			48	.1			.8			
Converted			(565)	(.6)	565	.6				
Common Stock:										
Dividends (\$.40 per share)								(30.3)		
Issued					84	.1	1.4			
Balance December 31, 1990	6,500	6.5	2,606	2.6	77,864	77.9	1,287.7	173.9	1,997	59.6
Net loss for year								(767.0)		
Preferred Stock dividends							(5.6)	(16.9)		
Preference Stock:										
Stock dividend			129	.1			1.7	(1.8)		
Issued			323	.3			4.4			
Converted			(345)	(.3)	345	.3				
Common Stock:										
Dividends (\$.40 per share)							(7.6)	(22.8)		
Issued					168	.2	.8			
Balance December 31, 1991	6,500	6.5	2,713	2.7	78,377	78.4	1,281.4	(634.6)	1,997	59.6
Net loss for year								(449.3)		
Preferred Stock dividends							(22.5)			
Preference Stock:										
Stock dividend			133	.1			(.1)			
Issued			256	.3			3.3			
Converted			(233)	(.2)	233	.2				
Common Stock:										
Stock acquired									5	.1
Issued					13,901	13.9	158.7			
Balance December 31, 1992	6,500	\$ 6.5	2,869	\$ 2.9	92,511	\$ 92.5	\$1,420.8	\$(1,083.9)	2,002	\$59.7

Each share of the \$5.00 Cumulative Convertible Preferred Stock and the \$2.50 Cumulative Convertible Preferred Stock issued in 1983 is convertible into 1.77 and .84 shares of Common Stock, respectively, subject to certain events.

In accordance with our labor agreements, we issue Preference Stock to a trustee under the Employee Investment Program. Series "A" and Series "B" of Preference Stock have a cumulative dividend of 5% per annum payable at our option in cash, Common Stock or additional shares of Preference Stock. Each share of Preference Stock is entitled to vote with Common Stock on all matters and is convertible into

one share of Common Stock.

During 1992, we issued 13.8 million shares of Common Stock for \$171.4 million. The proceeds were used to repay revolving credit borrowings. Had we issued the 13.8 million shares and repaid the borrowings at the beginning of 1992, a lower interest expense and higher weighted average shares outstanding during the year would have resulted in a loss before cumulative effect of changes in accounting principles of \$2.29 per share.

M. Quarterly Financial Data (Unaudited)

(Dollars in millions, except per share data)

	1992				1991			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales	\$ 995.4	\$1,014.3	\$1,007.8	\$ 990.4	\$1,055.6	\$1,115.0	\$1,121.6	\$1,025.7
Cost of sales	917.0	961.4	960.9	934.6	990.1	1,028.8	1,068.6	972.2
Estimated restructuring losses—net	—	—	—	—	—	—	—	575.0
Loss before cumulative effect of changes in accounting principles:								
Amount	(36.3)	(51.7)	(58.2)	(53.1)	(39.2)	(29.1)	(60.6)	(638.1)
Per Common share	(.55)	(.76)	(.76)	(.65)	(.60)	(.46)	(.88)	(8.47)
Net Loss:								
Amount	(286.3)	(51.7)	(58.2)	(53.1)	(39.2)	(29.1)	(60.6)	(638.1)
Per Common share	\$ (3.82)	\$ (.76)	\$ (.76)	\$ (.65)	\$ (.60)	\$ (.46)	\$ (.88)	\$ (8.47)

In the fourth quarter of 1992, we adopted Statement No. 106 and No. 109 (see Note A). The first three quarters of 1992 have been restated to reflect this change which decreased the 1992 loss before cumulative effect of changes in accounting principles by quarter as follows: first quarter, \$8.3 million (\$ 12 per share); second quarter,

\$12.2 million (\$16 per share); third quarter, \$13.3 million (\$ 18 per share); and fourth quarter, \$11.2 million (\$12 per share). The \$250.0 million cumulative effect of changes in accounting principles is reflected as a charge in the first quarter of 1992, while the effect on the current year is reflected in the net loss for the applicable quarters.

Report of Independent Accountants

To the Board of Directors and Stockholders of Bethlehem Steel Corporation

We have audited the accompanying consolidated balance sheets of Bethlehem Steel Corporation and its subsidiaries as of December 31, 1992 and 1991, and the related consolidated statements of income and of cash flows for each of the three years in the period ended December 31, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement

presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements audited by us present fairly, in all material respects, the financial position of Bethlehem Steel Corporation and its subsidiaries at December 31, 1992 and 1991, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles.

As discussed in Notes A, D and I to the financial statements, the Company changed its methods of accounting for income taxes and postretirement benefits other than pensions in 1992.

153 East 53rd Street
New York, NY 10022
January 27, 1993

Management Statement on Responsibility for Financial Information

The accompanying consolidated financial statements of Bethlehem Steel Corporation have been prepared in accordance with generally accepted accounting principles. Management has the primary responsibility for the information contained in the financial statements and in other sections of the Annual Report to Stockholders. In preparing the financial statements, management must make estimates and judgments based upon available information. To facilitate this financial reporting, management has communicated to all appropriate employees the requirements for accurate records and accounting.

Bethlehem maintains a system of internal accounting controls designed to provide reasonable assurance for the safeguarding of assets and the reliability of financial records. The system is subject to continuous review through a corporate-wide internal audit program with appropriate management follow-up action. Management recognizes the limits that are inherent in all systems of internal accounting control. Management believes, however, that through the careful selection of employees, the division of responsibilities and the application of formal policies and procedures, Bethlehem has an effective and responsive system of internal accounting controls.

Bethlehem's independent accountants, Price Waterhouse, examine Bethlehem's financial statements in accordance with generally accepted auditing standards. They express their professional opinion which is shown above. This examination includes evaluating our internal accounting control systems to establish the audit scope, testing our accounting records and transactions and performing such other audit procedures as they deem appropriate.

The Audit Committee of the Board of Directors is composed of Bethlehem's non-employee directors, who meet at appropriate times and met three times during 1992. The Audit Committee is responsible for recommending to the Board of Directors, subject to approval by the Board and ratification by stockholders, the independent

accountants to perform audit and related work for Bethlehem; for reviewing with the independent accountants the scope of their examination of Bethlehem's financial statements; for reviewing with Bethlehem's internal auditors the scope of the plan of audit; for meeting with the independent accountants and Bethlehem's internal auditors to review the results of their audits and Bethlehem's internal accounting controls; and for reviewing other professional services being performed for Bethlehem by the independent accountants. From time to time, the Audit Committee meets with the independent accountants and with Bethlehem's internal auditors without members of Bethlehem's management being present. The meetings permit the Audit Committee to have private communications with the independent accountants and the internal auditors about the results of their examinations, their evaluation of Bethlehem's internal accounting controls, the overall quality of Bethlehem's financial reporting and any other appropriate topics.

Management believes that the system of internal accounting controls, including Bethlehem's Code of Business Conduct, provides reasonable assurances that (1) business activities are conducted in a manner consistent with Bethlehem's commitment to a high standard of business conduct, and (2) Bethlehem's financial accounting system contains the integrity and objectivity necessary to maintain accountability for assets and to prepare Bethlehem's financial statements in accordance with generally accepted accounting principles.

Curtis H. Barnette
Chairman

Gary L. Millenbruch
Chief Financial Officer

Five-Year Financial and Operating Summaries

(Dollars in millions, except per share and average employment cost data)

	1992	1991	1990	1989	1988
Earnings Statistics					
Net sales	\$4,007.9	\$4,317.9	\$4,899.2	\$5,250.9	\$5,488.8
Operating charges:					
Employment costs	1,664.0	1,720.8	1,752.0	1,731.6	1,824.9
Materials and services	2,226.0	2,458.6	2,683.5	2,768.9	2,736.7
Depreciation	261.7	241.4	305.7	325.3	333.6
Taxes (other than employment and income taxes)	43.2	51.3	51.3	52.7	54.6
Estimated restructuring losses—net	—	575.0	550.0	105.0	113.0
	<u>4,194.9</u>	<u>5,047.1</u>	<u>5,342.5</u>	<u>4,983.5</u>	<u>5,062.8</u>
Income (loss) from operations	(187.0)	(729.2)	(443.3)	267.4	426.0
Financing income (expense):					
Interest and other income	4.9	9.7	29.9	55.0	46.8
Interest and other financing costs	(57.2)	(45.5)	(44.1)	(64.7)	(82.2)
Benefit (provision) for income taxes	40.0	(2.0)	(6.0)	(12.0)	(9.0)
Investment tax credit refund	—	—	—	—	10.0
Cumulative effect of changes in accounting principles	(250.0)	—	—	—	—
Extraordinary gains	—	—	—	—	11.4
Net income (loss)	<u>(449.3)</u>	<u>(767.0)</u>	<u>(463.5)</u>	<u>245.7</u>	<u>403.0</u>
Dividend requirements for Preferred and Preference Stock	<u>(24.3)</u>	<u>(24.7)</u>	<u>(24.2)</u>	<u>(26.0)</u>	<u>(25.6)</u>
Net income (loss) applicable to Common Stock	<u>\$ (473.6)</u>	<u>\$ (791.7)</u>	<u>\$ (487.7)</u>	<u>\$ 219.7</u>	<u>\$ 377.4</u>
Net income (loss) per Common share—primary	\$ (5.78)	\$ (10.41)	\$ (6.45)	\$ 2.93	\$ 5.32
—fully diluted	(5.78)	(10.41)	(6.45)	2.86	4.91
Dividends per Common share	—	.40	.40	.20	—
Dividends paid on Common Stock	—	30.4	30.3	15.0	—
Balance Sheet Statistics					
Cash and cash equivalents	\$ 208.2	\$ 83.8	\$ 273.5	\$ 530.5	\$ 507.4
Receivables, inventories and other current assets	753.2	874.0	929.7	904.7	932.4
Current liabilities	<u>(893.2)</u>	<u>(931.0)</u>	<u>(831.4)</u>	<u>(838.0)</u>	<u>(870.1)</u>
Working capital	\$ 68.2	\$ 26.8	\$ 371.8	\$ 597.2	\$ 569.7
Current ratio	1.1	1.0	1.4	1.7	1.7
Excess of current costs over LIFO inventory values	\$ 472.1	\$ 504.9	\$ 499.1	\$ 498.6	\$ 530.1
Property, plant and equipment—net	2,804.5	2,864.8	2,796.4	2,916.7	2,871.5
Total assets	5,070.7	4,128.3	4,382.1	4,793.3	4,448.5
Total debt	651.5	691.1	454.8	480.2	543.3
Total capital lease obligations	144.5	180.1	209.0	243.9	278.7
Stockholders' equity	379.1	674.8	1,489.0	2,002.9	1,790.8
Debt as a percent of invested capital	68%	56%	31%	27%	31%
Other Statistics					
Capital expenditures	\$ 328.7	\$ 563.9	\$ 488.0	\$ 421.3	\$ 303.9
Utilization of production capability	66%	63%	68%	76%	80%
Coal production (net tons in thousands)	6,139	7,926	9,432	9,571	10,606
Iron ore production (net tons in thousands)	12,817	13,969	13,184	13,257	13,061
Raw steel production (net tons in thousands)	10,544	10,022	10,924	12,181	12,855
Steel products shipped (net tons in thousands)	9,062	8,376	8,865	9,779	10,303
Pensioners receiving benefits at year end	70,500	70,200	70,500	70,000	67,400
Average number of employees receiving pay	24,900	27,500	29,600	30,500	32,900
Average employment cost per hour	\$ 33.12	\$ 31.42	\$ 29.32	\$ 28.79	\$ 27.56
Common Stock outstanding at year end (shares in thousands)	90,509	76,380	75,867	75,218	74,590
Common stockholders at year end	46,000	50,000	52,000	55,000	60,000

Directors

Directors

Curtis H. Barnette
Chairman and Chief
Executive Officer

Benjamin R. Civiletti
Managing Partner,
Venable, Baetjer and Howard
(Law firm)

Worley H. Clark
Chairman and Chief Executive Officer,
Nalco Chemical Company
(Chemical company)

Herman E. Collier, Jr.
Former President,
Moravian College

John B. Curcio
Vice Chairman,
Harvard Industries, Inc.
(Manufacturer of motor vehicle
parts and accessories)

William C. Hittinger
Former Executive
Vice President,
RCA Corporation
(Electronics manufacturer)

Thomas L. Holton
Former Chairman and
Chief Executive Officer,
Peat, Marwick, Mitchell & Co.
(Accounting firm)

Harry P. Kamen
Chairman and Chief Executive Officer,
Metropolitan Life Insurance Company
(Mutual life insurance company)

Winthrop Knowlton
Chairman, Knowlton Brothers, Inc.
(Investment firm)

Robert McClements, Jr.
Former Chairman and
Chief Executive Officer,
Sun Company, Inc.
(Diversified energy company)

Gary L. Millenbruch
Executive Vice President and
Chief Financial Officer

Roger P. Penny
President and Chief
Operating Officer

Dean P. Phypers
Former Senior Vice President and
Director, International Business
Machines Corporation
(Information technology and
computer company)

William A. Pogue
Former Chairman and Chief Executive
Officer, CBI Industries, Inc.
(Manufacturer of storage tanks
and industrial gases)

John F. Ruffle
Vice Chairman,
J.P. Morgan & Co. Incorporated
(Bank holding company) and
Morgan Guaranty Trust Co.
of New York
(Commercial bank)

Principal Committees of the Board

AUDIT COMMITTEE

Thomas L. Holton,
Chairman
All other non-officer directors.

EXECUTIVE COMMITTEE

Curtis H. Barnette,
Chairman
Gary L. Millenbruch
Roger P. Penny

MANAGEMENT DEVELOPMENT AND COMPENSATION COMMITTEE

William A. Pogue,
Chairman
All other non-officer directors.

FINANCE COMMITTEE

Curtis H. Barnette,
Chairman
All other directors.

COMMITTEE ON DIRECTORS

Dean P. Phypers,
Chairman
All other non-officer directors.

From left: W. Knowlton, R. McClements, Jr.,
T.L. Holton, G.L. Millenbruch, R.P.
Penny, W.C. Hittinger, C.H. Barnette, J.B.
Curcio, J.F. Ruffle, H.E. Collier, Jr.,
D.P. Phypers, W.A. Pogue.



Corporate Officers and Business Unit Presidents

Corporate Officers

Curtis H. Barnette
Chairman
(Chief Executive Officer)

Roger P. Penny
President
(Chief Operating Officer)

Gary L. Millenbruch
Executive Vice President
(Chief Financial Officer)

John A. Jordan, Jr.
Senior Vice President
(Administration)

David P. Post
Senior Vice President
(Commercial)

Lonnie A. Arnett
Vice President and
Controller (Accounting)

Walter N. Barger
Vice President
(Technology and
Quality Assurance)

Benjamin C. Boylston
Vice President
(Human Resources)

Stephen G. Donches
Vice President
(Public Affairs)

George T. Fugere
Vice President
(Materials Management)

William H. Graham
General Counsel

G. Penn Holsenbeck
Secretary and Deputy
General Counsel

John L. Kluttz
Vice President
(Union Relations)

Carl F. Meitzner
Vice President
(Planning)

Andrew M. Weller
Vice President and
Treasurer (Finance)

William E. Wickert, Jr.
Vice President (Federal
Government Affairs)

Business Unit Presidents

Duane R. Dunham
Sparrows Point Division

Carl W. Eckenrode
Subsidiary Railroads

Joseph F. Emig
Burns Harbor Division

Andrew R. Futchko
Pennsylvania Steel
Technologies, Inc.

Timothy Lewis
Structural Products Division

Edmund G. Riccio
BethForge Forging Division

David Watson
BethShip Division

From left, first row: R.P. Penny, C.H. Barnette, G.L. Millenbruch; second row: A.R. Futchko, T. Lewis, J.A. Jordan, Jr., D.P. Post, J.F. Emig, C.W. Johnson; third row: J.L. Kluttz, G.P. Holsenbeck, D.R. Dunham, A.M. Weller, G.F. Paolini, S.G. Donches, W.E. Wickert, Jr., G.T. Fugere; fourth row: B.C. Boylston, W.H. Graham, M. Hemphill, Jr., L.A. Arnett, C.F. Meitzner, W.N. Barger.



General Stockholder Information

Annual Meeting

The Annual Meeting of Stockholders of Bethlehem Steel Corporation will be held at 11:00 a.m. on Tuesday, April 27, 1993, in the Gold Ballroom, Hotel du Pont, Eleventh & Market Streets, Wilmington, Delaware. The Notice of the Meeting, the Proxy Statement and the Proxy Voting Card will be mailed to stockholders prior to the Annual Meeting.

Form 10-K

Bethlehem's Form 10-K Annual Report to the Securities and Exchange Commission provides further details concerning Bethlehem's business and other information not contained in the Annual Report. The 1992 Form 10-K will be filed with the Securities and Exchange Commission by March 31, 1993. A copy of Form 10-K may be obtained without charge upon written request addressed to the Secretary, Bethlehem Steel Corporation, 1170 Eighth Avenue, Bethlehem, Pennsylvania 18016-7699.

Additional Corporate Information

The Annual Report to Stockholders is only one source of information about Bethlehem available to stockholders and the general public. Quarterly reports are mailed to stockholders about the 10th

of June, September and December. These reports contain financial results and other news about Bethlehem, and the June report contains a report on the Annual Meeting of Stockholders.

Stock Transfer Agent and Registrar

First Chicago Trust Company of New York is stock transfer agent, registrar and dividend disbursing agent for the Common Stock and Preferred Stock of Bethlehem Steel Corporation. Common Stock Symbol—BS.

For prompt assistance on address changes, dividend reinvestment and other general stockholder information, please contact the Telephone Response Center of First Chicago Trust Company of New York at 212-791-6422. When calling, please be prepared to give the Name(s) as it appears on your certificate(s) and your tax identification number. Other requests for information not covered above such as consolidation of multiple holdings or lost securities should be sent to First Chicago Trust Company of New York, 30 West Broadway, New York, New York 10007-2192 (Telephone 212-791-6422).

Stockholder Correspondence

General inquiries about Bethlehem should be made in writing to the Secretary, Bethlehem Steel Corporation, 1170 Eighth Avenue, Bethlehem, Pennsylvania 18016-7699.

Dividend Reinvestment Plan

Bethlehem sponsors a Dividend Reinvestment Plan which is offered to stockholders by First Chicago Trust Company of New York. The Plan provides all owners of Common Stock with a simple,

convenient and inexpensive way to invest in Bethlehem Common Stock by the reinvestment of cash dividends when declared and/or the investment of additional cash amounts of up to \$3,000 in any calendar month. Among other things, all brokerage commissions incurred in the purchase of shares and costs for administering the Plan will be paid by Bethlehem.

Any Bethlehem stockholder may enroll in the Dividend Reinvestment Plan at any time. Further information with respect to this Plan may be obtained by writing First Chicago Trust Company of New York, Bethlehem Dividend Reinvestment Plan, P.O. Box 3506, Church Street Station, New York, New York 10008-3506 (Telephone 212-791-6422).

Debentures

Morgan Guaranty Trust Company of New York is transfer agent and interest paying agent for the Debentures of Bethlehem Steel Corporation. For assistance or information on Debentures, please contact Morgan Guaranty Trust Company of New York at 212-235-0900.

Independent Accountants

Bethlehem's independent accountants are Price Waterhouse, 153 East 53rd Street, New York, New York 10022.



Bethlehem Steel Corporation
1170 Eighth Avenue
Bethlehem, PA 18016-7699

